



ANNUAL REPORT

2013/2014

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NKANDLA LOCAL MUNICIPAL ANNUAL REPORT: 2013/2014

1. LEGAL MANDATE FOR THE PREPARATION OF THE MUNICIPAL ANNUAL REPORTS:

Section 121 of the Local Government: Municipal Finance Management Act 56 of 2003 (MFMA) stipulates that:

1. Every municipality and every municipal entity must for each financial year prepare an annual report in accordance with this chapter. The council of the municipality must within nine months after the end of a financial year compile an annual report of the municipality and of any municipal entity under the municipality's sole or shared control in accordance with section 129.

2. The purpose of an annual report is-

- a. To provide a record of activities of the municipality or municipal entity during the financial year to which the report relates
- b. To provide a report on the performance against the budget of the municipality or municipal entity for that financial year
- c. To promote accountability to the local community for the decisions made throughout the year by the municipality or municipal entity

3. The annual report of a municipality must include-

- a. The annual financial statements of the municipality, and in addition, if section 122 (2) applies, consolidated financial statements, as submitted to the Auditor General for audit in terms of section 126 (1)
- b. The Auditor General's report in terms of section 126 (3) on those financial statements
- c. The annual performance report of the municipality prepared by the municipality in terms of section 46 of the Municipal Systems Act
- d. The Auditor General's audit report in terms of section 45 (b) of the Municipal Systems Act
- e. An assessment by the municipality's accounting officer of any arrears on municipal taxes and service charges
- f. An assessment by the municipality's accounting officer of the municipality's performance against measurable performance objectives referred to in section 17 (3) (b) for revenue collection from each revenue source and for each vote in the municipality's approved budget for the relevant financial year
- g. Particulars of any corrective measures taken or to be taken in response to the issues raised in the audit reports referred to in paragraphs (b) and (d)
- h. Any explanation that maybe necessary to clarify issues in connection with the financial statements
- i. Any information as determined by the municipality
- j. Any recommendations of the municipality's audit committee
- k. Any other information as may be prescribed.

CHAPTER 1: MAYOR'S FOREWORD AND EXECUTIVE SUMMARY

1. Foreword from the Mayor

In Local Government one of the key milestones in ascertaining accountability & transparency in municipal matters is the tabling of this report which is a count of progress made in addressing service delivery back-logs as well as the state of fiscal and non-financial affairs of this municipality. While the role of my office has been to provide political guidance and ensuring that the Governance structures exist and are functional, it is also the mandate that is granted in the Municipal Finance Management Act that I present to all Municipal Stakeholders the 2013/14 Annual performance Report. Section 127 (2) of the Local Government: *Municipal Finance Management Act, 56 of 2004 (MFMA)*, the Mayor of a Municipality must, within seven months after the end of the financial year, table in the Municipal Council the Annual Report of the Municipality and of any Municipal Entity under the Municipality's sole or shared control.

It is therefore a pleasure to present this Annual performance Report of Nkandla Local Municipality for the period of 2013/2014 to Council, Nkandla community, the National & Provincial Treasury, the Local Government in our Province of KwaZulu Natal, and the Auditor General and other stakeholders.

In alignment to the Goals our Provincial Growth and Development Strategy (PGDS) which focuses on Job Creation, Strategic Infra-structure, Response to Climate Change, Spatial Equity, Human Resource Development, Human & Community Development as well as Governance & Policy, this Municipality has set its objectives within its five year IDP to ensure that this Municipality plays a visible role in advancing the objectives of our province and that all our operations as a municipality are in unison with the strategic focus areas of the Province of KwaZulu-Natal and of the country as whole, notwithstanding the uniqueness of the our local challenges and priorities of our local communities. As a Municipality with the total population of 114416 and unemployment rate of 89% and 99% of those employed earn less than R1 600 a month in accordance with the Census 2011. This indicates that most of the community is indigent which attest to relatively minimal rates base and a huge strain on the Municipality's resources.

We have however taken advantage of the Government Progress to accelerate job creation, as a result 120 people have been able to get jobs through the Expanded Public Works and Community Works Programs, and this is a minimal way in which the municipality contributes to Job Creation as well as Human & Community Development as a Goal of the PDGS. 1300 houses holds were electrified, beneficiaries who receive the free electricity as a basic service has increased from 800 to 1235, electricity faults and outages has been dealt with through upgrade of electricity infrastructure. Land is our main resource, our key focus was to identify key land pockets and prospective catalytic projects to attract investors into the Municipality and a call for proposals for the development of a Shopping Centre as well as an industrial park as means to create a

revenue based collection and improve the local economy. We hope that during the financial year much progress have been made in this regard in order to quantify the impact of these catalytic projects on the overall development of the Municipal Area. With the supporting structures including the Audit committee ,internal Auditors and a support from COGTA we are convinced that we have applied a value for money and redress to our community and we are hopeful that by the next financial year, we will be able to once again receive a clean audit which is our key objective.

Despite all the blatant challenges that the Municipality faces including poor sources of revenue which results in perpetuated infra-structural back-logs, minimal economic activities, high poverty and illiteracy rates as well as high exit of skilled staff due to the size of the Municipality hence the recruitment strategy and staff retention policy can play a major role in mitigating the skilled staff reduction, we are confident that with minimal resources we are able to tackle these challenges, manage our finances appropriately and account to the community of Nkandla through vigorous public participation meetings and regular interaction with our Ward Committees which are the legal structure representing all interest groups within Nkandla.

Councillor A.T NTULI

2. Foreword from the Municipal Manager

The immense task of being in the wheel of a Local Government Institution is to successfully balance good governance, efficient administration and sound financial management and public accountability and ensuring the involvement of our communities in all the processes of the Municipality. In terms of the Constitution of the Republic of South Africa our developmental duties as local government are to structure and manage the administration, and budgeting and planning processes and give priority to the basic needs of the community, and to promote the social and economic development of the community; as well as to participate in national and provincial development programmes. In planning for the five year term of Councils Office and during our annual reviews, we ensured that all our plans per each Key Performance Area of local government are informed by our developmental role.

Our planning and implementation processes involve an extensive engagement with the communities that we serve as well as the key stakeholders such as other government institutions and sector departments as well as private business to ensure holistic development, as with the minimal rates base and our grant dependency we could not advance significantly in meeting community needs while also minimizing the back-logs. Therefore we ensured that our Integrated Development Plan is truly inclusive of all stakeholders that contribute towards the development of the municipal area, hence the number of projects within our area are fund by Municipal infrastructure grant and other Government departments.

Nkandla Municipality has demonstrated that it practices good governance and prudent financial management in the year under review. The immense task at hand now therefore is to maintain the unqualified report that we received in the previous year and progress to a Clean Audit Opinion by putting more emphasis on implementing the Auditor General's recommendations and strengthening our internal controls as we were doing in the financial year of 2013/14. The fraud prevention strategy will be developed and risk assessment will be conducted by the risk committee that the council has successfully establish to mitigate all the risks that are facing the municipality particular at an IT section. As a Rural Municipality, challenges of high staff turn-over is inevitable, because scarce skills are better compensated in Municipalities with higher capacity and also in the Private Sector which offers more lucrative packages. As a result in year 2013/14 one Section 54/56 Manager for Co-operate Services resigned in May 2014.

3. ASSESSMENT OF ANY ARREAS ON MUNICIPAL TAXES AND SERVICE CHARGES BY THE MUNICIPAL MANAGER

The high levels of unemployment in the municipality's jurisdiction have impacted negatively on our ability to collect outstanding debt. Consequently, an increased number of indigents characterize the municipality revenue base. As a result long outstanding debtors have been significantly been impaired.

Although the municipality is vast geographically, the size relative to population is very small. Therefore, this is reflected in the small equitable share allocation because the formula put significant weight on the population size. In light of the above the municipality is still exploring ways of funding indigents as the equitable share is not enough.

The aging municipal electricity infrastructure is also impacting negatively on revenue collection as electricity is lost in transmission, illegal connections and incomplete billings attributed to the old infrastructure.

The electricity supply in the Municipality is being supplied by the Municipality and Eskom.

Our municipal accounts consist of mainly electricity supply, rates, refuse removal and other revenue. Water supply and sanitation is the function of the District Municipality.

To illustrate our point in the slow collection rate our Municipality finds itself, see the billing sample of a month of June;

Table 1: Billing sample for June 2014

Refuse collection billing for June 2014	
Billing	R 61 173.300
Collection	R 3882.83
Net-effect	R 57 290.47
Overall	6%

Rates collection billing for June	
Billing	R397 625.32
Collection	R 4112.39
Net- effect	R393 512.93
Overall	10%

Conventional electricity billing for the month of June	
Billing	R743 502.26
Collection	R 555171.56
Net – effect	R188 330.70
Overall	75%

Receivables/Debtors	
Electricity	R1 024 129.34
Property Rates	R15 388 754.89
Refuse Removal	R 3 137 953.40
Sundry Debtors	R1 640 489.91
Total debt	R21 191 327.54

In a bid to alleviate the debt situation, the municipality has embarked on job creation initiatives, particularly EPWP and CWP. These initiatives are expected to create job opportunities and the spin off effects will result in the lowering of outstanding debt as income sources are created for the impoverished communities. The municipality has also tightened debt collection measures to improve debt recovery. The municipality has upgraded its infrastructure and is planning to the reintroduction of electricity disconnection for residents owing for any municipal services. Therefore, the Municipality expects these measures to improve debt collection going forward

In conclusion I would like to extend my gratitude to the committed and dedicated officials and councillors of Nkandla who strive every day to ensure that today is better than yesterday and tomorrow looks much better than today.

4. Municipal Overview

4.1 Municipal Council

Full Council

Nkandla Municipality has 14 large wards and its council is made of 27 seats. There are three political parties in the council; African National Congress, Inkatha Freedom Party and National Freedom Party. Councillors are serving in different council portfolios. The schedule of councillors of Nkandla Local Municipality is as follows:

NAME & SURNAME	WARD	CREDENTIALS
Cllr. L. Ntombela	01	Ward council
Cllr. S.B. Manyathi	02	Ward council
Cllr.B.B Dlomo	03	Ward council
Cllr. T.F Nxumalo	04	Ward council
Cllr. P.R Dlamini	05	Ward council
Cllr. AT. Ntuli	06	Ward council and Mayor
Cllr. B.W Sibiya	07	EXCO Member
Cllr. S.A Majola	08	Ward council
Cllr. T.T Dlamini	09	Ward council
Cllr. S.E Mhlongo	10	Ward council
Cllr. B.Z Mncadi-Mpanza	11	Ward council and EXCO Member
Cllr. C.M Mthalane	12	Ward council
Cllr. V.S Lushozi	13	Ward council
Cllr. S.M Bhengu	14	Ward council
Cllr. T.O Ndlela	05	Deputy Mayor
Cllr. S.O Sibiya	02	Exco Member
Cllr. B.V Khanyile	11	Chairperson of MPAC
Cllr. B.N Buthelezi	10	PR
Cllr. M.B.E Ntombela	03	PR
Cllr. N.P.N Magubane	10	PR
Cllr. N.F.J Nzuza	06	Speaker
Cllr. S. Buthelezi	11	PR
Cllr. J.B Ntuli	06	PR
Cllr. B.B Ndima	09	PR

Cllr. N.R Xulu	11	Ward council
Cllr. F.K Magubane	06	PR
Cllr. H.R Ntombela	05	PR

4.2 EXECUTIVE COMMITTEE

CLLR. AT NTULI – MAYOR

CLLR. NFJ NZUZA-EX-OFFICIO MEMBER

CLLR. TO NDLELA- DEPUTY MAYOR

CLLR. BW SIBIYA- EXCO MEMBER

CLLR. SO SIBIYA- EXCO MEMBER

CLLR BZ MNCADI- MPANZA - EXCO MEMBER

4.3 COUNCIL PORTFOLIOS

- Finance portfolio
- Technical portfolio
- Corporate services
- Community services
- Planning and development
- MPAC
- Oversight committee

5. VISION, MISSION AND OBJECTIVES

5.1 VISION

To be a high performing rural municipality driven by continuous improvement of quality of lives for Nkandla citizens

5.2 MISSION

Nkandla Municipality renders effective service delivery encompassing nature and heritage to ensure poverty alleviation, sustainable economic growth and development

5.3 STRATEGIC OUTCOMES

NATIONAL KEY PERFORMANCE AREA	STRATEGIC OBJECTIVES
A. Good governance, community participation, and ward committee systems	<ol style="list-style-type: none"> 1. Attain effective and efficient municipal administration 2. Enhance community participation in governance 3. Decrease municipal risks through risk management 4. To ensure efficient and effective internal and external communication 5. Advance and maintain the financial viability of the municipality 6. To ensure effective and efficient planning, implementation and maintenance of municipal infrastructure
B. Municipal Transformation and institutional development	<ol style="list-style-type: none"> 1. To improve service delivery and the image of the municipality 2. Strengthen and improve employment equity in the municipality 3. Attain effective and efficient municipal administration 4. Organizational skills development and capacity building
C. Local economic development and social development	<ol style="list-style-type: none"> 1. To improve the quality of life through social infrastructure development 2. To create a conducive environment for socio -economic growth 3. To promote a safe and healthy environment for the Nkandla community
D. Infrastructure development and basic service delivery	<ol style="list-style-type: none"> 1. To improve quality of life through social infrastructure development 2. To promote safe and healthy environment for the Nkandla Community
E. Financial Viability and management	<ol style="list-style-type: none"> 1. Advance and maintain the financial viability of the municipality 2. Improve the financial performance of the municipality 3. Optimize budget implementation in the municipality 4. To improve institutional efficiency through adequate systems and effective internal controls
F. Cross cutting measures	<ol style="list-style-type: none"> 1. To promote a safe and healthy environment for Nkandla community

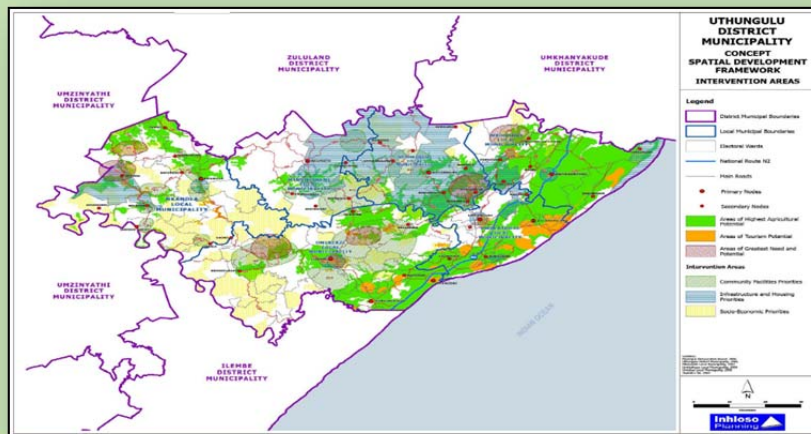
6. POWERS, FUNCTIONS AND DUTIES

In terms of section 84 of the Local Government: Municipal Structures Act No. 117 of 1998, the Nkandla Municipality has the following powers and functions:

- Integrated Development Planning
- Solid waste disposal
- Regulation of passenger transport services
- The establishment, conduct and control of fresh produce markets and abattoirs
- The establishment, conduct and control of cemeteries
- Promotion of local tourism for the area
- The imposition and collection of taxes, levies and duties as related to the above functions
- Municipal roads
- Municipal public works relating to any of the above functions

7. WHO ARE WE?

Figure: Nkandla Map



The municipality is in the western area of Uthungulu District (DC28). It is situated close to the country's two largest ports, lying about 130 kilometres inland from Richards Bay and 250 km north of Durban. Nkandla Town is classified as a Rural Service Centre (RSC) and a Provincial Rural Administrative Centre (PRAC), is the only formalized urban area located within Nkandla situated approximately 50 kilometres south-west of Melmoth and 65 kilometres from Eshowe. It is isolated from the major economic development corridors: access is via a main tar road from Melmoth, and tar road from Eshowe, Kranskop and Nqutu.

The Municipality (KZ 286) consists of a vast rural area when compared to other Municipalities in the District but has a low percentage of Economic Activity in the area.

Table 1 below is a table that briefly summarizes the demographic profile for the Municipality as per the Statistics South Africa (Stats SA) 2011 census. Additional information in this regard will be highlighted under the Analysis Phase of the document.

Table 1: Basic Facts

BASIC FACTS	FIGURES	
	2001	2011
Total Number of Population	32 277	34 442
Total Number of Households	6189	6252
Age Profile		
0 - 9	23%	24%
10 - 19	22%	22%
20 - 29	19%	17%
30 - 39	12%	12%
40 - 49	10%	8%
50+	14%	14%

Source: Stats SA 2011 Census

Table 2: Population by gender

Age Group	Male	Female	Grand Total
0 - 9	4262	4059	8321
10 - 19	4062	3682	7744
20 - 29	3160	2880	6040
30 - 39	2274	2077	4351
40 - 49	1375	1574	2949
50+	2354	2682	5036
Grand Total	17486	16956	34442

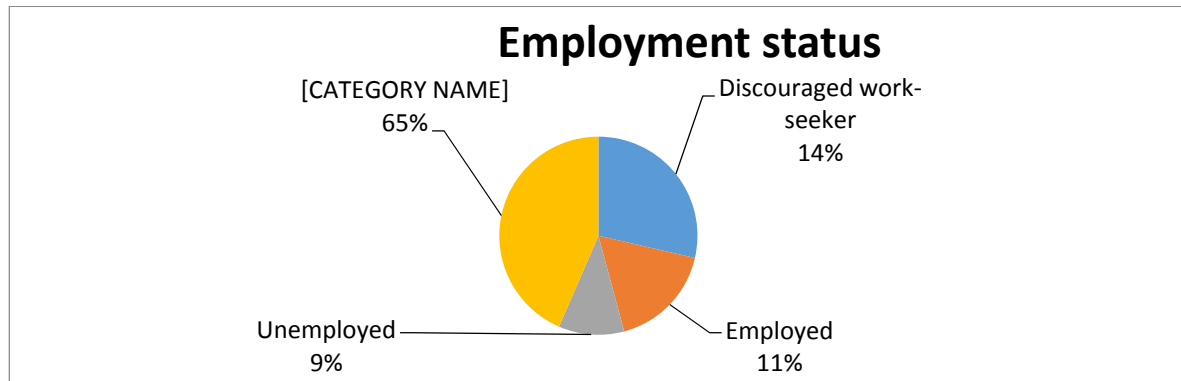
Source: Stats SA 2011 Census

Table3: Population by racial group

Table 3 : Nkandla Population

Black African	113923
Coloured	114
Indian or Asian	103
White	167
Other	108
Total	114416

Source: Stats SA 2011 Census

Table 4: Unemployment

Source: Stats SA 2011 Census

Employment has grown by 1.9% from 2001 to 2011. The growth is not significant enough to put a dent in the high rate of poverty experienced by the community. The municipality has embarked on the Community Work Programme and the Extended Public Works Programme to try and offset the high levels of unemployment and poverty. To date 120 of jobs have created using the two programmes

Table 5: Income Analysis

No income	2470
R 1 - R 4800	1292
R 4801 - R 9600	2430
R 9601 - R 19 600	5679
R 19 601 - R 38 200	6021
R 38 201 - R 76 400	2344
R 76 401 - R 153 800	1246
R 153 801 - R 307 600	601
R 307 601 - R 614 400	282
R 614 001 - R 1 228 800	38
R 1 228 801 - R 2 457 600	27
R 2 457 601 or more	30

Table 6: Employment Status

	Employed	Unemployed	Discouraged work-seeker	Other not economically active	Total
	6907	5398	8907	40115	61327
Working age population		61327			

According to the Stats SA census, over 99% of the population earns less than R1600. This puts a strain on the municipal resources because almost the entire population falls within the indigent bracket. Although people have jobs, the lack skills prevent them from getting decent wages or salaries.

8. Traditional Authorities

The municipality has five traditional authorities, namely:

Table 7: Traditional Authorities

TRADITIONAL AUTHORITY	INKOSI	WARDS
Chwezi TC	Nkosi Sibisi	1
Kwa- Zondi TC	Nkosi Zondi	2 and 3
Khabela TC	Nkosi Dlomo	3 and 2
Chunu TC	Nkosi Mchunu	2 and 3
Mpungose TC	Nkosi Mpungose	1 and 5
Ekukhanyeni T/A	Nkosi Khanyile	4
Kwa -Xulu TC	Nkosi Xulu	10
Godide TC	Nkosi Ntuli	12
Mahlayizeni TC	Inkosi Biyela	6
Chube TC	Nkosi Shezi	11
Nxamalala	Nkosi Zuma	14
Ezindlozi T/A	Nkosi Khanyile	11 and 14
Mangidini T/A	Nkosi Biyela	7
Magwaza T/A	Nkosi Magwaza	13
Izigqoza T/A	Nkosi Zulu	12
Amaphuthu T/A	Nkosi Mbhele	10
Ngono T/A	Nkosi Ntuli	9
Qhudeni Trust farm	Mdluli (Umholi)	8

There is a fairly good working relationship between the municipality and Amakhosi. Amakhosi are involved in the development of their areas of jurisdiction. Going forward, the participation of Amakhosi in Council affairs

has been formalized. Section 81 of the Local Government: Municipal Structures Act was used as a guide in formalizing the process.

9. KEY CHALLENGES

Table 8: Key Challenges

KEY PERFORMANCE AREA	CHALLENGES
Institutional Transformation	<ul style="list-style-type: none"> • Gazzeting of the By-laws • Failure to implement the WSP • Outdated IT • Loss of skilled employees
Infrastructure and Services	<ul style="list-style-type: none"> • Aged infrastructure • Poor infrastructure maintenance • Poor access to infrastructure and services
Social and Economic Development	<ul style="list-style-type: none"> • High levels of unemployment • High levels of poverty • Lack of SMME support • Lack of skills
Good Governance and Democracy	<ul style="list-style-type: none"> • Vastness of most wards prevents Councilors from reaching all their constituency
Financial Viability	<ul style="list-style-type: none"> • Lack of revenue • Non-payment for services • Reliance on grants
Spatial and Environmental Management	<ul style="list-style-type: none"> • Lack of a Land Use System • Lack of a registered land-fill site

10. SUCCESSES

Although challenges have been sighted above, which are generally typical of smaller, rural municipality, there are successes which may be deemed minimal but a major leap in terms of municipal development, they can be summarized as follows:

- The Implementation of the Community Works Programme which created a number of jobs;
- The number of households electrified
- Number of indigent receiving free basic service
- The road rehabilitation projects to improve accessibility in previously inaccessible areas.

CHAPTER 2: GOVERNANCE

1. INTRODUCTION

In order to promote accountability to the local community for the decisions made throughout the year by the municipality as per Section 121 (2)(c) of the Municipal Finance management Act read in conjunction with the Section 18(1)(d) of the Municipal Systems Act, the Municipality has to ensure that the relevant governance structures exist and are functional. Both the political and administrative structures of Municipality need to be fully capacitated in terms of numbers and of skills. In drafting this Annual Report, the intention is not only to comply with relevant legislation but to promote accountability for the decisions that Council undertook in the financial year 2013/14. Critical to appropriate decision making are mandatory committees that each Council should establish to ensure that the nine characteristics of good governance are adhered to namely: Participation, Rule of Law, Transparency, Responsiveness, Consensus Oriented, Equity & Inclusiveness; Effectiveness and efficiency, Accountability as well as Sustainability. The focus of this Chapter is on Governance Structures, Intergovernmental Relations, Public Accountability & Participation as well as Corporate Governance.

2. GOVERNANCE STRUCTURES

2.1 Political Governance

As indicated above there are twenty seven councillors that constitute Nkandla Local Municipal Council, The Municipality is a plenary system with ward committees.

There are four portfolio committees appointed by Council. These committees are aligning to the functions of various departments of the Municipality;

- | | | |
|--|---|------------------------------|
| • Budget & Treasury Portfolio Committee | : | Chief Financial Officer |
| • Corporate Services Portfolio Committee | : | Director: Corporate Services |
| • Technical Portfolio Committee | : | Director: Technical Services |
| • Community Services Portfolio Committee | : | Director Community Services |

There are other forums and committees that are operational in the Municipality and those committees and forums are the following;

- Local Labour Forum;
- Integrated Development Plan Representative Forum;
- Oversight Committee (MPAC)

2. ADMINISTRATIVE STRUCTURES

The Organisational Structure was reviewed and adopted by Council at the beginning of the financial year. A revised selection, recruitment and appointment policy that seeks to address the imbalances in the employment profile of the Municipality has been adopted by Council. There are ninety nine employees in the Municipality. Council approved five departments in the Municipality the departments are as follows:

- Office of the Municipal Manager;
- Corporate Services;
- Technical Services;
- Budget and Treasury Office; and
- Community Services

The functions of these Departments are as follows:

Table 8: Departmental Functions

Department	Functions
Office of the Municipal Manager	Municipal Management Municipal Planning and Performance Management Municipal Finance Management.
Corporate Services	Administration: it is responsible for; billboards and display of advertisements in public places; municipal administration; security and cleaning services; human resource management; legal services; information technology communication and council support services.
Budget and Treasury Office.	Income: it is responsible for Revenue Management; debt management and internal controls. Expenditure: it is responsible for expenditure management; procurement; materials; insurance; internal controls and properties management.
Technical Services	Electricity: it is responsible for electricity and gas reticulation and street lighting. Civil services: it is responsible for air pollution; municipal public works; storm water management; cemeteries; funeral parlours, cleansing; fence and fences; burial of animals; local sports facilities; markets; municipal parks and recreation; planning and land use management, refuse removal; refuse dump site and solid waste management, municipal roads
Community Services	Community Services: it is responsible for building regulations, child care facilities, local tourism, and promotion of local economic development and facilitation of housing development; libraries Protection Services: it is responsible for firefighting services; noise pollution; public places; street trading; traffic and parking; disaster management; control of public nuisances; municipal public transport; public safety; motor licensing; roadworthy testing; and municipal policing.

3. Staff Component

The Municipality had a compliment of ninety nine staff members inclusive of five Section 57 staff members as well as five financial intern staff members included in this statistics, excluding 3 casual workers. During the year three staff members resigned.

Table 20: Staff component per department

Department	No of staff
Office of the Municipal Manager	8
Budget and Treasury Office	22
Corporate Services	21
Community service	21
Technical Services	26
Total	98

Senior Management:

All four senior managers (Heads of Departments) are responsible for portfolio committees in their departments.

Table 8: Senior management

Directorate	Director Responsible	Committee
Municipal Manager	S.B MTHEMBU	Council and Oversight Committee
Chief Financial Officer	P.P SIBIYA	Budget and Treasury Committee and Budget Committee.
Director Corporate Services	N. P XULU	Corporate Services Committee.
Director Technical Services	N.M MNYANDU	Technical Services Committee.
Director Community Service	M-TG MCHUNU	Community Service Committee

Employment Equity Development

The Municipality had developed and approved the employment equity plan for 2013/2014 and this plan is being reviewed from time to time. There has been no major improvement in this regard. (See the table below)

Table 9: Employment Equity Development

Employment Equity Implementation	Designation Group	Non-Designated Group	Women	Total
Top Management	5	0	1	5
Middle Management (MANCO)	13	0	3	13

One hundred percent of the total top management is made up of the designated group while non-designated group is zero percent. The middle management is one hundred percent designated group. Seventy five percent of the professional staff is made up of the designated group and twenty five percent is the women. This is a slight change from the previous year which is in the right direction. See the table below to illustrate figures:

Table 10: Ethnic groups employed by the municipality

Occupational level	Male				Female				TOTAL
	A	C	I	W	A	C	I	W	
Senior	4	Nil	Nil	Nil	1	Nil	Nil	Nil	5
Middle	13	Nil	Nil	Nil	3	Nil	Nil	Nil	13
Other Staff	33	NIL	Nil	Nil	44	Nil	Nil	Nil	80
Total Staff	50	NIL	Nil	Nil	48	Nil	Nil	Nil	98

4. Intergovernmental Relations

To ensure co-operative governance and to implement wall to wall development, this municipality participated in the following IGR Forum meetings that sat at District Level, wherein matters that were cross-boundary were discussed and relevant sector departments invited to give inputs on other technical matters:

- The Mayors Forum
- The Municipal Manager's Forum
- The Planning Forum
- The Infra-structure Development Forum
- The LED Forum
- The Co-operate Services Forum
- Financial Management Forum
- Performance management advisory committee

The Municipality also participates in other structures as the Forum of Municipalities and Members of the Executive Councils, the Speaker's Forum in Legislature and the Premier's Monitoring & Evaluation Committee. Participation in these committees ensures that planning is undertaken in line with National, Provincial & District Priorities and key strategic documents.

5. Corporate Governance

5.1 Risk Management

In the year 2013/14 the top five risks as per the risk register are:

1. None existence of Municipal By laws
2. Failure to attract investors
3. Inadequate registry and records management.
4. Lack of health and safety management.
5. Lack of policies.

In trying to mitigating these risks, the following actions were undertaken:

1. Cogta was requested to support the review of the Municipal By-laws, once completed they would be public engagements in the following financial and gazetting;
2. The LED & Tourism Plan will be reviewed,
3. Policies were reviewed in order to suit changing environments.

5.2 Anti-fraud &Corruption Strategy

This Anti-Fraud and Corruption Strategy and Fraud Prevention Plan has been drafted and will be taken to council for adoption. The draft plan will complement the National Anti-Corruption Strategy of the country and supplements both the Public Service Anti-Corruption Strategy and the Local Government Anti-Corruption Strategy.

The draft policy will also give effect to the various legislative instruments relating to fraud and corruption.

In addition, the Policy will provides guidelines as to how to respond should instances of fraud and corruption be identified.

A. ACTIONS CONSTITUTING FRAUD AND CORRUPTION

FRAUD AND CORRUPTION MANIFESTS ITSELF IN A NUMBER OF WAYS AND VARYING DEGREES OF INTENSITY.

These include, but are not limited to:

- unauthorised private use of municipal assets, including vehicles;
- falsifying travel and subsistence claims;
- conspiring unfairly with others to obtain a tender;
- disclosing proprietary information relating to a tender to outside parties;
- accepting inappropriate gifts from suppliers;
- employing family members or close friends;
- operating a private business in working hours;
- stealing equipment or supplies from work;
- accepting bribes or favours to process requests;
- accepting bribes or favours for turning a blind eye to a service provider who does not provide an appropriate service;
- submitting or processing false invoices from contractors or other service providers;
- misappropriating fees received from customers, and avoiding detection by not issuing receipts to those customers;
- misappropriation of Municipal funds;
- falsifying accounting records or documents
- falsifying consumer debtors accounts or amending such accounts without authority;
- Theft.

B. STATEMENT OF ATTITUDE TO FRAUD

Fraud represents a significant potential risk to the Municipality's assets and reputation.

The Municipality is committed to protecting its funds and other assets

It is in the draft policy of the Municipality that fraud, corruption, maladministration or any other dishonest activities of a similar nature will not be tolerated. Such activities will be investigated, where required, and actions instituted against those found responsible. Such actions may include the laying of criminal charges, civil and administrative actions and the institution of recoveries where applicable.

This draft Policy includes prevention, detection, response and investigative strategies.

5.3 Supply Chain Management

Council adopted a Supply Chain Management Policy which covers all procurement processes and the various committees that have to be established to ensure transparency in supply chain. The following bid committees were established in 2013/14 with members as follows:

- A. Bid Adjudication Committee
- B. Bid Specification Committee
- C. Bid Evaluation Committee

Members:

A. ADJUDICATION:

Mr PP SIBIYA	(Chairperson)
Mr N.M MNYANDU	(Vice Chairperson)
Mr MT-G MCHUNU	(Member)
Ms P MSANE	(Secretary (Resigned))

B. SPECIFICATION:

Ms N.C NGEMA	Chairperson
Mr SHEZI M	Vice Chairperson
Ms L. MTHOMBENI	Secretary

C. EVALUATION:

Mr J.M NKOSI	Chairperson
Mr N. SIKHAKHANE	Vice Chairperson
Ms NP DLAMINI	Secretary

5.4 Public Satisfaction with Municipal Services

Although no customer satisfaction survey was undertaken to determine the level of satisfaction with Municipal Services, there is a suggestion box that was provided at the rates to enable the community to comment on issues of service and service delivery. Also during the public participation meetings a record is taken on matters that require urgent attention. Key matters that were raised included:

- Rehabilitation of Road Infra-structure and storm water drainage system;
- Electricity outages
- New access roads;
- Adequate Billing.

All the raised matters then became the basis of the Performance Score-card for the following financial year within the respective Key Performance Areas.

5.5 Municipal Oversight Committees

A. The Audit Committee

Nkandla Local Municipality has an Audit Committee as prescribed Section (166) of the Municipal Finance Management Act 56 of 2003. The Audit Committee serves the purpose of being an independent advisory body to the Council, the Political Office Bearers and the Accounting Officer thereby assisting Council in its oversight role.

Membership of the Audit Committee

There are three (3) members of the Audit Committee and one member resigned, namely:-

- Mrs G.S. Majola (Chairperson)
- Ms N. Mchunu Member
- Dr B.V Thabede Member
-

The Committee sat 4 times during the financial year and the report is attached to this report on the observations of the Audit Committee.

B. Municipal Public Accounts Committee (MPAC)

Functions and terms of reference of the committee

The main purpose of the MPAC is to exercise oversight over the executive functionaries of council and to ensure good governance in the municipality. This will include oversight over municipal entities. In order for the MPAC to fulfil this oversight role, it needs to be provided with the necessary information and documentation to interrogate the actions of the executive.

Members of MPAC are:

Cllr B.V Khanyile	(Chairperson)	IFP
Cllr N.P.N Magubane	Vice Chairperson	NFP
Cllr N.R XULU	Member	ANC
Cllr B.B Dlomo	Member	IFP
Cllr T.F Nxumalo	Member	IFP

All political parties within Council are represented in the MPAC. 4 meetings were held and an overall oversight report is attached to this report as an annexure.

CHAPTER 3: SERVICE DELIVERY AND ANNUAL PERFORMANCE REPORT

1. Introduction and Overview

This is an annual performance report for 2013/2014 Municipality financial year for the period starting from 01 July 2013 to 30 June 2014 including an assessment results emanating from the targets set on the 2013/2014 Integrated Development Plan (IDP), 2013/2014 Service Delivery Budget and Implementation plan (SDBIP). The municipal has been measured and evaluated based on the following five key performance areas:

- Institutional development, capacity and transformation,
- Financial management and viability,
- Socio economic development,
- Infrastructural Development, and
- Democracy and good governance.

2. Background

Section 41 (1) (a) of the Municipal Systems Act 32 of 2000 states that:

a) The Municipality must set appropriate key performance indicator as a yardstick for measuring performance including outcomes and impact, with regard to the Municipality development priorities and objectives set out in its Integrated Development Plan.

b) Takes steps to improve performance with regards to those development priorities and objectives where performance target are not met.

A comparison of the performance with the targets set and performance for the last previous financial year

c) Report to council, other Political structures, Municipality staff and public

Section 45(1) the results of the performance must be measured and audited as part of Municipality Internal Auditing Processes and Annually by the Auditor general.

3. Performance Management Processes and Compliances

A Performance Management System (PMS) forms the basis of aligning the Integrated Development Plan (IDP) with the operational business plans, performance areas and performance indicators of the various departments of the Municipality. Performance management is a powerful tool which assists municipalities to focus on priorities within an increasingly complex and diverse set of demands. It also enables a municipality to direct resource allocations and institutional systems to a new set of development objectives.

Performance management is seen beyond adhering to legislation, but an integral part of the management system to monitor and improve service delivery and report back to National government and communities. It is also a process whereby the Integrated Development Plan (IDP) and Performance contracts and agreements of managers are aligned to the strategic intent of the municipality to enhance commitment to deliver on the strategy of the municipality.

The Municipality has considered the above legislations to determine the level of compliance to the prescripts indicated and sighted the following

3.1 Organizational Performance Management

- ❖ The targets that were set on the Municipal IDP and SDBIP has been taken in to consideration, weighted and evaluated
- ❖ The key performance areas that were used were in accordance with the legislation and five National KPA has taken in to consideration as per (organizational Performance Management starter pack Model September 2004) and National treasury circular no 13 and KPA no 6 which is cross cutting interventions was not considered.
- ❖ The Political structure need to be measured on issues of good governance, socio-economic development etc. Their work plans were not indicated.
- ❖ Section 42 refers to Community involvement in PMS; this has been taken place through ward committees and advertisement on Municipal website.
- ❖ Steps to be taken to the targets not met were taken in to consideration and the action plan as a monitoring tool has been develop to monitor the implementation of those targets.
- ❖ Current year of reporting of performance has been compared with the performance of the previous year.

3.2 Individual Performance Management

- ❖ The Generic Performance Plans in the form of the SDBIP have been developed and the Personal Development Plans, which spells out areas of personal development as per the guidelines for section 54/56 employees have been taken in to consideration, and the individual core-competencies were considered.
- ❖ The Individual performance has been conducted on quarterly bases on one to one and by panel as per the performance framework and as per signed Performance Agreement.

4. PERFORMANCE REPORTING PROCESS

The municipal performance and individual performance is monitored and reports are submitted on a regular bases.

- The individual and organizational monthly operational reports are submitted to MANCO within 1 week after the end of each calendar month
- Quarterly Departmental and organizational performance reports submitted are submitted for evaluation and verification to MANCO, Internal Auditors ,Audit Committee and submitted to council for approval
- In-year the midterm performance report is submitted in terms of Section 127.5(b) of Municipal Finance Management act no 56 of 2003
- Annual report is submitted as per the section 46 of the Municipal Systems act32 of 2000
- This report includes highlights from the key performance measures included in the IDP 2013/2014. These priority measures constitute the Municipal Scorecard for 2013/2014
- At the end of the financial year, 70% of priority performance measures have met. Areas for improvement are attached on a targets not met action plan and Accountable officers have provided commentary to put performance into context and identified actions that they are taking to address performance.
- In 2013/2014 performance has improved by 14% when compared with 2012/2013. It is worth noting the impact of factors such as budget.
- Performance Monitoring underpins the Municipality's IDP in terms of reviewing progress regularly in achieving our priorities and delivering value for money. Early investigation of variances enables remedial action to be taken where appropriate.

5. Performance and Supporting Information

This section indicates, in more detail, the performance of the municipality for the financial year and makes reference to the supporting documentation, including the Municipal Scorecard. The performance reporting of the municipality is done in line with the 6 National KPA's and is the focus of the MSA Section 46 requirements and therefore reflects the performance of the municipality for the financial year, comparisons to performance of the previous financial year and measures taken to improve performance, however our Municipality did not take in to cognisance the sixth KPA which the cross cutting measures which has been considered in the new financial year 2014/15

6. Key Performance Reviews

6.1 Good Governance and Public Participation

The Municipality has been able to develop the following:

- ❖ The standard operating procedures and delegations.
- ❖ Operational Ward committees, public participation and transparency.

6.1.1 OPERATIONAL WARD COMMITTEES.

The ward committees are fully effective in all 14 wards. The ward committees have been trained and are fully effectively (regular meeting, formal agenda, minutes and attendance register are kept).

6.1.2 A community consultation and participation

A community consultation and participation framework has been developed and being implemented. This framework incorporates the aspects of a community communication strategy and adherence to the Batho Pele Principle. The SDBIP, Performance Measurement results are reported to community.

- *The overall score for the KPA is 71% for 2013/2014, up by 15% from 2012/2013.*

6.2. Institutional transformation

Substantial progress has been made by municipality to close vacancies. The key positions the performance management system manager, HR manager, LED manager, Budget and expenditure manager, Internal Auditors and other post were filled to close vacancies. The high vacancy rates has resulted to negatively effect on service delivery yet it is apparently clear that attracting and retaining key staff remains a challenge for the Municipality. This required a firm retainment strategy to be put in place.

The performance management has not yet been implemented to operational staff and council and however this will commence to all managers (assistant directors) employed full time at the 2014/15 financial year.

The institutional transformation and capacity enhancement has been identified as the lacking section particularly the IT component by the Auditor General and in 2013/14 has been the year to set key policies, plans and procedures to guide transformation and ensure that appropriate capacities are developed and IT issues are resolved

- *The overall score for the KPA is 56% for 2013/2014, down by 34% from 2012/2013.*

10.3 Financial Management and Viability

- ❖ The Municipality budget was timeously approved 30 days before the beginning of the start of the new financial year. Municipal tariffs were advertised on the media for the public to view and make comment on them.
- ❖ The Unqualified Audit report produced on last financial years has to be maintained at all cost and Audit issues have been dealt with, and this is going to have a positive impact in fundraising, as most donors require the two previous year's unqualified report to approve funding proposals.
- ❖ Salaries are at the average of 34% of the total budget. Most of the vacant posts have been filled and the municipality is fully functional.
- ❖ The municipality has adhered to its credit control and debt collection policy and as a result, the municipality has recovered outstanding monies from government departments for previous years.
- ❖ Property rates collection from Public Works for government properties has improved due to new valuation roll being implemented on the 1st of July 2013
- ❖ Property rates collection from residential debtors has decreased due to debtors being unhappy about the value of their properties.
- ❖ The section 71 reports have been produced monthly and have been presented to all the required Council committees as stipulated by the MFMA. The reporting dates to Treasury are always met and there were no outstanding report as at 30 June 2014.
- ❖ Outsourcing of work to consultants has decreased as compared to previous financial years. All consultants are required to compulsory transfer skills to the staff.
- ❖ All submitted invoices were paid within 30 days as required by the Section 65 of the MFMA. The municipality as a whole is in good financial standing and there have been no complaints from creditors for non-payments. All Capital projects invoices are paid with 15 days of the receipt of the invoices to fast track service delivery to Nkandla community.
- ❖ All tax returns that were submitted to SARS for 2013/2014 financial year have been collected and recovered from Receiver of Revenue.
- ❖ Asset register has been updated accordingly.
 - *The overall score for the KPA is 87% for 2013/2014, up by 33% from 2012/2013.*

10.4 LOCAL ECONOMIC DEVELOPMENT

- ❖ The Municipality has been able to focus on three spheres of LED, which are poverty alleviation, economic growth and economic empowerment.
- ❖ More than 200 cooperatives have registered and supported.
- ❖ Bursaries has been provided to 30 learners and 5 learners provided with the India bursary.
- ❖ Special programs has been introduced and implemented effectively
- ❖ Disaster management plan has been developed and implemented accordingly.
 - *The overall score for the KPA is 65% for 2013/2014, up by 1% from 2012/2013.*

10.5 BASIC SERVICE DELIVERY

- ❖ Most of MIG Projects have been taken place and completed.
- ❖ The waste management operational plan has been developed and implemented.
- ❖ Sector plans that include development of infrastructures need to be included on IDP document.
- ❖ 1300 Households electrified
- ❖ 120 local laboures employed through EPWP
- ❖ Indigent policy implemented on basic services
- ❖ The electricity loss have been minimized.
 - *The overall score for the KPA is 64% for 2013/2014, up by 50% from 2012/2013.*

10.5.1 PROGRESS ON CAPITAL PROJECTS AS AT 30 JUNE 2014

PROJECT NAME	PROJECT STATUS	BUDGET	TOTAL EXPENDITURE	PROGRESS TODATE PERCENTAGE	COMMENTS
Esibhudeneni community service Centre	Completion stage	R3 529 207.50	R1 951 701.64	73%	Project was delayed due to Consultant's poor performance, thus resulted in the Municipality to terminate the services with them.
A1539 Esikhaleni access road	Completion stage	R3 500 000.00 After AFA: R5, 909 300.51	R4 021 686.87	96%	The project delayed due to additional funding that being processed.
Ngomankulu/Nsuze pedestrian bridge	Construction stage	R9 990 811.80	R4 039 634.86	35%	The project was delayed due to re-designing because of the significant depth to bedrock.
Thalaneni CSC	Completed	R3 529 207.50	R3 233 213.83	100%	The project is complete.
Thaleni to Malunga /Eroma	Completed	R4 711 050.00	R2 603 290.17	100%	The project is complete.
Bangamanzi/Mfongosi link road	Construction stage	R6 546 946 .00 After AFA: R12 496 580.64	R9 455 156.60	82%	The project was delayed because the project required additional funding.
Matshenezimpisi phase 11	Completed	R2 095 800.00	R1 864 370.24	100%	The project is complete.
Mashushu link	Completed	R1 185 458.82	R1 022 602.98	100%	The project is complete.

11. ASSESSMENT OF THE PERFORMANCE OF EXTERNAL SERVICE PROVIDER

The monitoring of the service provider performance is ensured through the signing of the Service Level Agreement. It is currently being done by user department levels. The end user department is providing monthly reports to the SCM unit as well. Service providers who fail to perform are reported to SCM and the necessary action is taken including the termination of the contract or cancellation of an order.

Assessment Key	
Good (G)	<i>The service has been provided at acceptable standards and within the time frames stipulated in the SLA/Contract</i>
Satisfactory (S)	<i>The service has been provided at acceptable standards and outside of the timeframes stipulated in the SLA/Contract</i>
Poor (P)	<i>The service has been provided below acceptable standards</i>

Bid Number	Name of external Service Provider	Date Contract Awarded	Service provided in terms of the SLA	Value of project	Comparison with previous year		Current Financial Year		Assessment of Service Providers Performance		
					Target	Actual	Target	Actual	G	S	P
	RIS VEHICLE HIRE	12/04/2012	Yes	Depends on km travelled	VEHICLE HIRE	100%	VEHICLE HIRE	100%	x		
	Pay Day	01/04/2013	Yes	R214974.36	PAYDAY SYSTEM SOFTWARE	100%	PAYDAY SYSTEM SOFTWARE	100%	x		
	Bidvest Bank	01/03/2013	Yes	Depends on km travelled	VEHICLE HIRE	100%	VEHICLE HIRE	100%	x		
	Bytes Solution	01/10/2012	Yes	R230'480.64	IT SUPPORT	100%	IT SUPPORT	100%	x		
	Indwe Risk Management	01/12/2012	Yes	Depends on work done	ISURANCE	100%	ISURANCE	100%	x		
	Red Spike cc	01/04/2013	Yes	R2'691'333.00	SECURITY SERVICE	100%	SECURITY SERVICE	100%	x		
	Rentokil Cleaning	20/04/2007	Yes	Depends on work done	CLEANING SERVICE	100%	CLEANING SERVICE	100%	x		
	Mdledle Incorporated	03/03/2011	no	Depends on work done	LEGAL ADVISOR	80%	LEGAL ADVISOR	50%			x

	Konika Minolta	01/06/2011	Yes	Depends on copies done	PRINTING SERVICE	80%	PRINTING SERVICE	50%			X
	KPMG	02/07/2013	Yes	R1'571'292.00	Financial management and vat recovery	100%	Financial management and vat recovery	100%	x		
	Ulungeni consulting engineer	12/04/2012	Yes	Depend on work done	Oversee electrical service	100%	Oversee electrical service	100%	x		
	NTSIDI and Associates	02/04/2012	Yes	15% for vat refunded	Vat consultants	100%	Vat consultants	100%	x		
	ABSA Cash focus	08/04/2012	Yes	Depend on work done	Banking service	100%	Banking service	100%	x		
	BPG Mass Appraisal	27/04/2012	Yes	R1'589'099.00	valuation roll	100%	valuation roll	100%	x		
	Business connexion	01/05/ 2007	Yes	Depends on monthly visits	Financial system	100%	Financial system	100%	x		
	Nashua Zululand	31/08/2012	Yes	Depends on copies done	Printing of debtor statements	100%	Printing of debtor statements	80%		x	
	Isaluleko Project Manager	16/08/2013	Yes	Depends on work done	PMU support	100%	PMU support	100%	x		
	Nxumalo Billboards and maintenance	08/11/2013	Yes	R328'320.00	Billboards	100%	Billboards	100%	x		
	Lisulesazi trading enterprise	20/12/2013	Yes	R402'630.00	News letter	100%	News letter	80%		x	
	MFS consulting PTY LTD	14/03/2014	Yes	R1'187'062.00	n/a	100%	Internal auditors	100%	x		
	G4S	25/03/2014	Yes	Depends on work done	n/a	100%	Cash management	100%	x		
	CONLOG solution for utilities	27/03/2014	Yes	Depends on work done	n/a	100%	Prepayment revenue management	100%	x		
	HAMSA consulting engineer	29/04/2014	Yes	R9'000'000.00	n/a	100%	Electrical infrastructure	100%	x		



NKANDLA MUNICIPALITY 2013/2014 SDBIP TARGERTS NOT MET REMEDIAL ACTION

TARGETS	REASONS OF NOT ACHIEVING	CORRECTIVE MEASURES	TARGET DATE FOR COMPLETION	PROGRESS TO DATE	RESPONSIBLE DEPARTMENT
100%Implementation of WSP	Budget Limit	WSP Will be finalised in the next 2014/2015 Financial Year	30 JUNE 2015	Not yet implemented due to Budget limitations	Corporate service
30 Employees benefiting from skills development plan	The Budget was allocated to MFMP	20% of employees will be trained in 2014/2015 Financial Year	31 DECEMBER 2014	Three interns have been enrolled to MFMP and other 5 Management Committee members are completing their MFMP	Corporate service
4 occupational health and safety committee meetings	None existence of the Committee	Establishment of terms of reference and re-establishment of the Committee	30 JUNE 2015 (ONE MEETING PER QUARTER)	Finalised: The committee has been established. But no sitting of committee has taken place	Corporate service
2 Labour forum meetings	There was no Quorum for the meeting to sit.	This has been addressed with SALBC-KZN to intervene on the matter.	30 JUNE 2015 (4 MEETINGS WILL BE HELD BY 30 JUNE 2015)	Finalised The Local Labour Forum Committee has been established. The labour forum has already held three meetings	Corporate service
Adoption of fraud prevention plan	Non availability of incumbent with policy and strategy development expertise	The plan will be dealt with in the office of the Municipal Manager by the Performance Manager	31DECEMBER 2015	The fraud prevention strategy document has been finalised and The workshop to MANCO was conducted on the 4th November 2014 and document will be adopted by council by 30 January 2015	Corporate service
Adoption of fraud prevention strategy	Non availability of incumbent with policy and strategy development expertise	The plan will be dealt with in the office of the Municipal Manager by the Performance Manager	31 DECEMBER 2015	The fraud prevention strategy document has been finalised and The workshop to MANCO was conducted on the 4th November 2014 and	Corporate service

				document will be	
4 media conferences	Media conferences were cancelled due to insufficient funds	The two Media conferences are budgeted in 2014-2015 Financial year	30 JUNE 2015	No progress	Corporate service
11 Corporate portfolio meeting	Portfolio committee meetings-corporate service are planned to sit on Monthly bases as per required in 2014/15	Engagements with Portfolio members has been done	Portfolio meetings on Monthly bases	5 meetings has already held in the first and second quarter	Corporate service
7 by laws gazetted	Public Participation sessions needs to unfold and a process of gazetting will then start	Gazetting of by-laws to take place in 2014-2015	30 JUNE 2015	By-laws interpreted to isiZulu but not yet gazetted, to be gazetted by 30 June 2015	Corporate service
4 MPAC reports	The meeting did not meet the quorum	This has been addressed in 2014-2015 FY	QUARTELY MEETINGS WILL BE HELD	11 meetings are planned for 2014/15, 5 meetings already convened in 2014/15 financial year	Corporate service
14 wards where CWP to be implemented	Budget limit	CWP is funded through provincial cogta and programme, municipality will continue with 10 ward	30 JUNE 2015	CWP is only implemented in 10 wards out of 14 wards. The funding has been applied to extend the project to other wards.	Community service
Establishment of tourism forum	Insufficient funds	This year Local Tourism Organization will be established in-Q4	30 JUNE 2015	The municipality is currently in the process of developing LED strategy by supported By provincial DEDT situational analysis report is developed	Community service
20 community members trained in basic computer skills	Delayed advertisement for Cyber cadet post	This program will continue this financial year	31 DECEMBER 2014	This was achieved .More than 20 community members benefitted from this program	Community service
Miss and Mr Nkandla 2014	Funds allocated become insufficient, consequently remaining funds were used to	Miss and Mr Nkandla has been planned to be implanted in Q4	30 JUNE 2015	To be done during the youth month in June	Community service

	implement other critical and related projects.	2014/201`5			
6 sports tournaments and awarding ceremony	The municipality has no mandate in organizing sports tournaments 2013/14 but it is a role of the federations	SALGA games and Mayoral cup will provide more tournaments.	30 SEPTEMBER 2014	Finalised: SALGA games held on the 20 September 2014 .All sporting codes participated.	Community service
50 beneficiaries provided with school uniform	funds were insufficient	2014/2015 plan is to use funds to provide financial support to 30 FET students R200 000.00	30 JUNE 2015	Courses have been identified and selection process has started. The drivers licence will also be provided	Community service
3 disability awareness campaign	Two campaigns were conducted due to limited/available budget	Two campaigns are planned for 2014/2015.One in July and other in December 2014	30 JUNE 2015	One disability campaign held in ward 7	Community service
1 wheelchair repair Centre	The members had expectation to be remunerated monthly wages by Municipality which was not an initial plan	The plan is to assist members to establish cooperative and buy them support equipment	30 JUNE 2015	Not yet started	Community service
Launch of gender commission	Men's forum formed, but formation of women forum delayed as a result could not establish Gender forum.	Priority is to form women's forum. Gender commission planned for Q4	30 JUNE 2015	Women forum already established.	Community service
Evaluation of the performance of the interns with the finance function at the Municipality	The appointment of the AD Expenditure and financial reporting delayed as a result the Interns were not assessed	To effectively done in the 2014/15 financial year.	30 JUNE 2015	Performance assessment form for evaluation of interns has been developed and its implementation will begin from the third quarter.	Finance department
Undertake 4 stock takes	The Stores department was not fully operational throughout the year, due to the fact that the	This target has been set for 2014/2015, as the stores department will be fully	QUARTELY	Full time employee was appointed to manage the stores area. The stock take is done on Monthly bases	Finance department

	stores clerk got appointed towards the end of the financial year.	operating.			
Purchase of one Cherry picker truck	The change of infrastructure and installation of new meters had to be prioritized	The Cherry Picker will be purchased in 2014/15 financial year	30 JUNE 2016	Not yet started	Technical service
Completion of the 8 capital projects	Only four projects which are still under construction, some of which are close to completion	These projects will be completed by 30 June 2015	30 JUNE 2015	To be completed in the fourth quarter	Technical service
Completion of the 3 roll over projects	Only two projects are close to completion i.e. Mdlelanga CSC & kwaGugu-Ezimpisini CSC as a result of shortage of funds	These will be completed in quarter 1 of 2014/2015	31 DECEMBER 2014	Finalised	Technical service
736 electrified households in vumanhlamvu/man daba/ntinini	The project is too wide such that it covers Mandaba, Vumanhlamvu and Zintinini and funds were to be made available in 2014/15	This will be completed in 2014/15	30 JUNE 2015	Kwa - Gugu has been completed, Ezimpisini CSC is 98% in progress, completion of fencing is still outstanding	Technical service
736 electrified households in Mvutshini/Mndunduzeli/Quthu/Bhacane	There were no enough funds to cater for this project	The project will be implemented as soon as funding becomes available.	30 JUNE 2016	No progress :Unavailability of funds	Technical service
Adoption of the revised housing sector plan by 30 June 2014	DHS advised that we would need the assistance of professionals	This will be done in 2014/15	30 MARCH 2015	Service providers have been appointed and are busy with the review. Sector plan to be adopted by the council by 31 March 2015	Technical service

12. DEPARTMENTAL PERFORMANCE

DEPARTMENTS	TOTAL TARGETS	TOTAL TARGETS MET	TARGET MET %	TARGETS NOT MET
CORPORATE SERVICE	35	22	65 %	12
COMMUNITY SERVICE	40	26	65 %	14
FINANCE DEPARTMENT	40	34	85%	6
TECHNICAL DEPARTMENT	40	28	70 %	12

13. OVERALL MUNICIPAL PERFORMANCE AND COMPARISON OF 2012/2013 WITH 2013/2014 FINANCIAL YEAR

COMPARISON OF FINANCIAL YEARS	2012/2013 FINANCIAL YEAR			2013/2014 FINANCIAL YEAR		
NKPA	TOTAL PLANNED TARGETS	TOTAL ACHIEVED	PERCENTAGE ACHIEVED	TOTAL PLANNED TARGETS	ACHIEVED TARGETS	PERCENTAGE ACHIEVED
DEMOCRACY AND GOOD GOVERNANCE	09	05	56%	31	22	71%
INSTITUTIONAL TRANSFORMATION	11	10	90%	09	5	56%
BASIC SERVICE DELIVERY	07	01	14%	44	28	64%
LOCAL ECONOMIC DEVELOPMENT	14	9	64%	40	26	65%
FINANCIAL MANAGEMENT AND VIABILITY	13	7	54%	31	27	87%

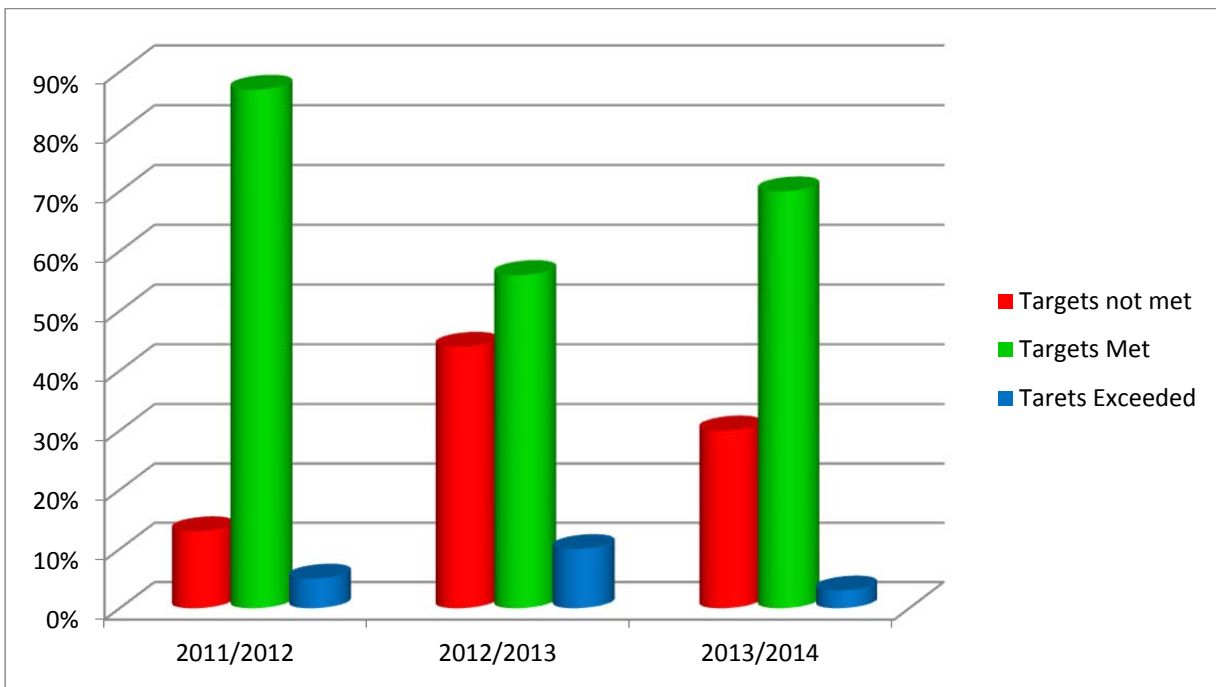
14. SUMMARY OF 2013/14 TARGETS AND PERFORMANCE RESULTS

TOTAL TARGETS : 155

TOTAL TARGETS MET : 108 = 70%

TOTAL TARGETS NOT MET : 47

15. COMPARISON OF 2012/2013 FINANCIAL YEAR WITH 2013/2014 FINANCIAL YEAR (Section 46 Municipal systems act)



Graph: Comparative Target Achievement Information

16. Background to municipal scorecard

- The Municipal Scorecard **Annexure A** approach reflects the 5 national KPA's and local priorities and enables a wider assessment of how the municipality is performing.
- The performance report is based on measures included within the Municipal Scorecard.
- The criteria used reflect factors such as previous performance levels, comparative performance and budget implications. These were agreed by Council on 24 June 2013. These targets were reviewed and updated at Council meeting on January 2014.
- The traffic light system used to report performance is as follows:
 - **Blue** – Performance above 2% of the target
 - **Green** – Performance meets target
 - **Amber** – Performance within 5% of target
 - **Red** – performance more than 5% adverse of target
- In relation to the 2013/2014 year end performance results, the final position shows:
 - 70% of measures have met or exceed the year-end target
 - 14% of measures have improved performance compared to last year

- Summary performance results for all priority measures included in the municipal scorecard are as follows.

Traffic Light Status	2013/2014 Performance	2012/2013 Performance	2011/2012 Performance
Blue – Exceeded target	2%	1%	0%
Green – Met target	69%	55%	87%
Amber – Missed target by up to 5%	27%	38%	13%
Red – Missed Target by more than 5 %	2%	6%	0%

17. Key Areas to Note

Improving Performance

- Overall satisfaction with Municipality's services has improved significantly.
- 100% of invoices were paid in 10 days. Performance has improved throughout the year, exceeding the year end targets set. Processes have been standardized, reducing delays and ensuring invoices are paid promptly.
- The issues raised by the auditor general in the year 2012/2013 has been resolved and the portfolio of evidence has been created.

18. Lessons Learnt and Way Forward

The targets that were set and adopted by the council need to be achieved at all cost and reasons for variances and action to correct need to be provided as part public accountability. The recruitment strategy and staff retention policy can play a major role in mitigating the high staff turnover. The SMART principle need to be taken in to cognizance during planning in order to improve municipal performance.

19. Conclusion

The Internal Audit Activity has verified the performance measurements in terms of its Annual Audit Plan on a quarterly basis and provided assurance to management.

As part of advancing service delivery and also instilling a culture of performance within the municipality, we have provided corrective actions to remedy the areas where performance targets were not achieved. Where performance targets have not been achieved as a result of lack of capacity by responsible manager, areas that they need to be capacitated on will be incorporated into their Performance Development Plans (PDP) in the 2013/14 financial year. Furthermore those performance targets that have not been achieved will be prioritised on the 2014/15 financial year, and the implementation will be monitored on a regular basis by the management and also independently by the Internal Audit.

The management uphold performance management system which was adopted by the Municipal Council and will ensure that it serve as a catalyst to improving service delivery.

The organization has achieved 70% of the total annual performance score and it shows great effort to improve the overall situation during this financial year as compared to 2012/2013 financial year which was 56%

IDP Align ment Ref. Page 18	National KPA	Outcome 9	IDP Strategic Objective	Output	Performance Indicator	Unit of Measure	Baseline 2012 /2013	COMPARISON WITH PREVIOUS YEAR 2012/2013		CURRENT YEAR COMPARISONS (2013/2014)			Responsible department	POE Required
								Annual Target	PROGRESS REPORT	Annual Target	PROGRESS REPORT	CORRECTIVE MEASURE		
1.2	Municipal transformation and Institutional development	Differentiated approach to municipal financing, planning and support	To enhance service delivery through human capital development	To spend 100% total training budget	Implementation of Workplace Skills Plan (WSP) by reporting quarterly on the % of budgeted amount spent on training	%	100%	30 employees benefiting the skills development plan	30 employees benefited on the skills development plan	100% budgeted for WSP spent	only 50% budget spent on WSP and other 50% not met due to insufficient funds	Funds were made available for first quarter and second quarter for 2014/2015 financial year and will be implemented by 31 December 2014	CORPORATE SERVICES	Expenditure report on training, Workplace Skills Plan, Copies of certificates
				To capacitate councillors on leadership and oversight skills/abilities	No of Councillors attending & completing training on leadership & oversight	No.	5	15 councillors attending	15 councillors attended and	27 Councillors attending & completing training on leadership & oversight	27 Councillors attended & completed	N/a		certificates & expenditure report on training

								and completing training programmes	completed training programmes		training on leadership & oversight			
					No of employees benefiting from skills development plan	No.	25	30 employees benefiting the skills development plan	30 employees benefited on the skills development plan	30 employees benefiting from skills development plan	3 Employees benefited from skills development plan and 10 employees admitted for the MFMP in the first	6 employees including interns will be admitted for MFMP in the first quarter of 2014/15 financial year		Photographs, Programmes, Correspondence and Expenditure report

											quarter			
				To contribute to a healthy and safe work environment	Number of wellness programmes	No.	1	4 employees benefitting from the wellness programme	1 employees benefitted from the wellness programme	2 wellness programmes	two programme held one on the first quarter and one on the 25 June 2014	N/a		Photographs, programme, expenditure report and attendance register
				To improve to a healthy and safe work environment	No of Occupational Health & Safety Committee meetings	No.	1	2 Occupational Health & Safety Committee meetings	1 Occupational Health & Safety Committee meetings	4 Occupational Health & Safety Committee meetings	2 OH&S committee meeting held in quarter 2	The committee will be reviewed in the first quarter 2014/15 financial year and meetings will be held		Agenda, Minutes & attendance register of OHS

												quartely		
				To maintain healthy relations with trade unions and employer	No of Local Labour Forum meetings	No.	2	100% Reduction of labour disputes	2 disputes resolved	10 Local Labour Forum meetings	Labour forum was not established for the entire year due to in effective of unions	Labour forum will be established in the first quarter of the 2014/15 financial year and meetings will be held on monthly bases to make total of 12 meetings per year		Agenda & Minutes of LLF, attendance register
					No of Staff Meetings	No.	4	8 Staff Meetings	4 Staff Meetings held	8 Staff Meetings	More than 8 staff meetings held	n/a		Minutes and attendance register
				To contribute to fill Municipal transformation and Institutional	Date of the appointment of the Municipal Manager	Date	0	n/a	n/a	Appointment of the Municipal Manager by 30 Sept 2013	Target was achieved in the second	n/a		Adverts, Minutes shortlisting & interviews and

				development							Quarte r			appointm ent letters
					Number of budgeted posts filled	No,.	11	10 Vacant posts filled	11Vacant posts filled	35 budgeted posts filled	33 out of 35 people employed	The two traffic officers and one disaster management officer will be employed by 31 December 2014 in 2014/2015 financial year		Adverts, Minutes shortlisti ng & interview s and appointm ent letters
1.7	Good gover nance and public partic ipation	Deepe n demo cracy throu gh a refine d Ward Comm ittee	To creat e a partic ipator y platfo rm for all stake holde	To comply with good governance principles through the adoption of the IDP	Date of adoption of IDP in compliance with MSA	Dat e	Adop tion by quart er 4	Adopti on of IDP by 30 June 2013	IDP adopted by 24 June 2013	Adoption of IDP by 30 June 2014	IDP adopte d on the 26 June 2014	n/a		Copies of the council resolutio n, letters of acknowle dgement of IDP from cogta

		Model, a single window of coordination	rs in compliance with the regulatory frameworks		Number of IDP forum meetings held	No	1	1 IDP Indaba	1 IDP Indaba held	2 Forum meetings	4 IDP forum meetings held	n/a		Council item, council resolution, attendance registers on consultation process prior to the adoption
				To adopt a ward committee work plan by 31 December 2013	Date of adoption of a ward committee work plan	Date	Cogta's community base plan	Development and implementation of the Ward Committees Work-	Development and implementation of the Ward Committees Work-plans achieve	Adoption of ward committees work plan by 31 December 2013	Work plan adopted by council on 31 Oct 2013	n/a		A copy of council resolution, agenda and minutes of council, adopted communication strategy

								plans	d					
				To comply with good governance principles through the adoption of a risk management plan	Date of adoption of the risk management plan	Date	Nil	Adoption of the Risk Management Committee ; Develop and implement the risk	Adoption of risk not achieved	Adoption of the risk management plan by 31/03/14	Risk management plan adopted on 24 april 2014	n/a		Risk management plan, copy of the resolution, agenda and minutes

								mana geme nt plan						
					Date of adoption of the fraud prevention plan	Dat e	2010	Devel opme nt & Imple menta tion of an anti- corrup tion strate gy	Develop ment and Impleme ntation of anticoru ption strategy not achieved	Adoption of the fraud prevention plan	not met	The draft has been finalised and will be adopted by council by 31 December 2014 after the workshops to be done in the first quarter of 2014/15 financial year		Fraud preventio n plan, copy of the resolutio n, agenda and minutes
					To reduce costs by establishing a new joint PMS/AUDIT committee by 31 December	Date of the establishment of a new PMS/AUDIT Joint committee	Dat e	2011	Date of the establi shmen t of a new PMS	The PMS and AUDIT committ ee both establish ed	1 Joint PAC by 31 December 2013	The memb ers of PMS/A udit commi ttee	n/a	A copy of council resolutio n, agenda and minutes of

				2013				and AUDIT commi tee			appoin ted on the 05 Dec 2013			council, adopted communi cation strategy
				To facilitate fully functional PMS by holding PMS/Audit committee meetings	4 AC/PAC committee meetings	No	4	4 AC/PA C commi tee meeti ngs	4 AC/PAC committ ee meeting s held	2 AC/PAC committee meetings	3 out of 2 meetin gs held in a financi al year due to the fact that the commi tee was appoin ted in Decem ber 2013	The audit committee meeting overlaps to the next financial year.The 3rd meeting was held on the 26 May 2014 The fourth meeting to be held in 24 August 2014 after finalisation of Annual report		reports signed by the chairpers on, and council resolutio n

				To comply with good governance principles by submitting PMS/Audit committee report timeously	Number of PAC reports submitted to Council in terms MSA regulation 14	Number	4	4 PAC reports submitted to Council in terms MSA regulation 14	only 2 PAC reports submitted to Council in terms MSA regulation 14	2 PAC reports submitted to Council in terms MSA regulation 14	one performance report tabled to council on the 29 My 2014	The other report will be tabled in August after finalising the Annual performance report		Agenda ,minutes and Attendance register
				To engage communities on municipal development processes and involving stakeholders to meet community expectations	Number of media conferences	Number	6	n/a	n/a	4 media conferences	Only one media conference held in second quarter out 4.	The media reports were reduced due to insufficient budget.The media reports will be held bi-monthly to make total of two reports by the end of the year		Copies of the newsletter, expenditure report

				To engage communities on municipal development processes and involving stakeholders to meet community expectations	Number of newsletter published	Number	Nil	n/a	n/a	6 newsletter published	3 out of 6 newsletter released	delayed by appointment of service provider and service provider was appointed in the fourth quarter and newsletter will be released bi-monthly		Official order and expenditure report
					Number of radio slots on service delivery programmes	Number	4	Number of radio slots on service delivery programmes	4 radio slots on service delivery programmes	4 radio slots on service delivery programmes	5 out of 4 radio slots achieved	n/a		A copy of the communication strategy and a council resolution
				To comply with intergovernmental relations by reviewing and adopting the communication strategy	Date of adoption of a communication strategy	Date	2011	1 Reviewed Communication	not reviewed and not adopted	Adoption of a communication strategy by 31 March 2013	adopted by council on the Quarter 3	n/a		Photographs, registration documents, expenditure report

								Strate gy						
				To match the current IT trends and to keep up with rapidly evolving technology	Revamping of the Municipal website	Date	2010	Revamping of the Municipal website	not done	Revamping of the Municipal website by 31 March 2013	adopted by council on the 29 May 2014			Council resolution, agenda, minutes and an adopted service standard charter
				To ensure compliance with Bathopele principles as correct work ethics through the adoption of a service standard charter	Date of adoption of the municipal service standard charter	Date	Nil	n/a	n/a	Adoption of the municipal service standard charter by 31 December 2013	Adopted in the second quarter	n/a		Quarterly reports on the implementation of calendar of events

				To ensure monitoring of the implementation of the calendar of events	Number of quarterly reports on implementation of calendar of events	Number	Nil	n/a	n/a	4 quarterly reports on implementation of calendar of events	2 Calendar events reports issued and the calendar of events used as monitoring tool	2 calendar of events to be implemented bi-monthly to make total of two in 2014/15		Calendar of events, programme and minutes of the strategic planning session
				To ensure compliance with procurement plans by creating a calendar of events	Date of the establishment of municipal calendar of events	Date	Nil	n/a	n/a	Development of municipal calendar of events by 30 September 2013	developed in the first quarter	n/a		n/a
1.7	Good governance and public participation	Deeper democracy through a refined	To create a participatory platform	To ensure 100% compliance with SLA	% Compliance by all of the following 10 contractors within the Corporate Services department	%	5	100% Compliance by all of the following 10 contractors	100 % complied	10	100% complied			Contract management report & Service Level Agreement

		Ward Comm ittee Model	for all stake holde rs in compl iance with the regul atory frame works					ctors within the Corpor ate Servic es depart ment						
	Good gover nance and public partic ipation	Deepe n demo cracy throu gh a refine d Ward Comm ittee Model	To im pro ve insti tution al efficie ncy throu gh adeq uate syste ms	To ensure full control of integration of IT and financial system (e- Venus)	Full control of Reliable (e- Venus) operated on Nkandla Municipal site	Dat e	0	n/a	n/a	Full control of Reliable (e- Venus) operated on Nkandla Municipal site by 30/12/13	The server relocat ed in the second quarte r	n/a		Minutes of the council

1.7	Good governance and public participation	Deepen democracy through a refined Ward Committee Model	To improve institutional efficiency through adequate systems	To comply with Municipal Structures Act	No of council meetings	no.	4	four regulated council meeting	four regulated council meeting held	4 council meetings	more than 4 council meeting held	n/a		Agenda & Minutes of EXCO
				To comply with Municipal Structures Act	No of exco meetings	Number	12	12 Regulated EXCO meeting	12 Regulated EXCO meeting held	12 exco meetings	12 Regulated EXCO meeting held	n/a		Agenda & Minutes of Staff Minutes
				To comply with Section 79 of the MSA	No of corporate portfolio meetings	Number	3	3 corporate portfolio meetings	3 corporate portfolio meetings held	11 corporate portfolio meetings	1 out of 11 portfolio held	The portfolio meetings will be held on monthly bases to make total of 12 meetings in 2014/15 financial year.		Agenda & minutes of Portfolio meetings

				To develop and establish local by-laws and municipal code	No of by Laws Gazetted, cemetery cremation, credit control and debts collection, electricity supply, environment, fire prevention, funeral undertakes, keeping of animals, noise abatement and prevention nuisance, outdoor advertising, parking, pollution control, property encroachment, waste management.	Number	14	Update and gazetting of Municipal By-laws	14 by laws adopted but not gazzeted	7 by Laws Gazetted, cemetery cremation, credit control and debts collection, electricity supply, environment, fire prevention, funeral undertakes, keeping of animals, noise abatement and prevention nuisance, outdoor advertising, parking, pollution control, property encroachment, waste management.	7 by laws translated but not gazzeted	By laws translated but not Gazetted will be gazzeted by 31 December 2014		Letter from MEC approving By-Laws
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				To regulate operations and staff matters	No of updated policies adopted by council 1. Subsistence & travelling Allowance Policy 2. Car Allowance Policy 3. Overtime Policy 4. Employment Equity Policy 5. Occupational Health & Safety Policy. 6. Disciplinary Procedure & Policy 7. Job evaluation & Placement Policy 8. Remuneration Policy 9. Home owners Allowance Policy 10. IT Government Framework Policy	Number	20	3 Policies Adopted by Council 1. Filing policy 2. Recruitment policy 3. Telephone and cellphone usage policy	2 Policies Adopted by Council 1. Leave Management 2. Employee benefits	10 policies adopted by 30 June 2014	6 out of 10 policies reviewed and adopted by council 1. Sand T2. Car allowance 3. overtime policy 4. O and H 5. disciplinary procedures 6. Home owners policy	All policies will be reviewed in 2014/15 starting from the first quarter		Council Resolution and approved policy document
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			To comply with good governance principles by through the adoption of fraud and prevention strategy	Date of adoption of the fraud and prevention strategy	Date	Nil	Development & Implementation of an anti-corruption strategy	no development and implementation	adoption of the fraud and prevention strategy	The policy was drafted but not presented to council	The policy will be adopted by council by 30 December 2014 after it has been workshopped to all stateholders.		Fraud and prevention strategy, copy of the resolution, agenda and minutes
		To create a participatory platform for all stakeholders in compliance with	To facilitate oversight by holding MPAC meeting	Number of sittings	No	2	4 MPAC sittings to be held	2 out of 4 of sittings held	4 of sittings	4 meetings held	n/a		Minutes, MPAC reports

			the regulatory framework											
			To create a participatory platform for all stakeholders in compliance with the regulatory framework	To facilitate oversight through submission of MPAC reports to council	Number of reports submitted by MPAC to council	No	2	4 reports submitted by MPAC to council	2 out of 4 reports submitted by MPAC to council	4 reports submitted by MPAC to council	one report submitted to council	The MPAC will be monitored closely by office of the MM in 2014/15 and the meetings will be held monthly to make a total of 12 meetings		Minutes, MPAC reports

	Local Economic Development	Implementation of community work programmes, differentiated approach to municipal financing, planning and support	To promote local economic development through integrated human settlements and sustainable environmental management	To capacitate corporatives through cooperative development programme	Number of Cooperatives trained & registered on Cooperative development	No.	89	40 women trained/capacitated in cooperative development	89 women trained/capacitated in cooperative development	12 Cooperatives trained & registered on Cooperative development	70 out of 12 cooperatives were trained on basic cooperative management	n/a	LED AND COMMUNITY SERVICE	List of co-operative s trained and the certificate of registration
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1.5	Local Economic Development	Implementation of community work programmes, differentiated approach to municipal financing, planning and support	To promote local economic development through integrated human settlements and sustainable environmental management	To improve Institutional arrangements decision making	Number of policies developed and adopted	No.	Agri. Development Plan available	Agri. Development Plan available	no plan developed	3 policies developed and adopted	Polices were drafted but not adopted by council	All polices will be reviewed in 2014/15 and approved by council starting from the first quarter	LED AND COMMUNITY SERVICE	Copy of Corporate development policy, LED soft project policy, Agricultural projects policy, Council Resolution of adopted policies
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				To implement cooperative policies	No. of cooperative benefitting from the Cooperative programme	No.	89	40 women trained/ capacitated in cooperative development	40 women trained/ capacitated in cooperative development	8 cooperative benefitting from the Cooperative programme	Fifty two - agricultural cooperatives 6 Animal husbandry, 1 x catering cooperative,	N/a		Attendance register, completed applications, expenditure report, correspondence
					Number of wards where Community Work Programme (CWP) has been implemented	Number	10	200 Jobs Created through EPWP, LED & Capital Projects	1050 jobs were created in 2011/13	14 wards where Community Work Programme (CWP) has been implemented	Not met	Budget will be adjusted in 14/15 financial year		Picture of handover function, expenditure report

				Controlled Grazing and improved crop production	No of organised farmers groups assisted with fencing material and equipment	No.	Nil	40 Emer ging Farm ers Organ ized & Traine d in Organ ic Farmi ng	40 Emergi ng Farmer s Organiz ed & Trained in Organic Farming	14 organised farmers groups assisted with fencing material and equipment	14 organis ed farmer s assisst ed with fencin g materi al and materi al	n/a		List of beneficiar ies, report from the impleme nting agent
				To eradicate poverty by capacitating community members	No of Wards provided with sewing equipment and small agricultural inputs	No.	Nil	40 Emer ging Farm ers Organ ized & Traine d in	40 Emergi ng Farmer s Organiz ed & Trained in	14 Wards provided with sewing equipment and small agricultural inputs	one cooper ative in ward 10 provid ed with sewing equip ment	funds will be made available in 2014/15 to cover all 14 wards		Picture of handover function, expendit ure report

								Organic Farming	Organic Farming					
				To develop Nkandla Marketing tool that promote tourism	Date of publications advertising Nkandla Tourism	Date	Nil	Number of programmes promoting tourism as part of the LED Plan	Tourism Attraction Sites determined and LED Plan needs reviewed	publications advertising Nkandla Tourism by 30 Sept 2014	Nkandla tourism published in September 2013	n/a		Picture of handover function, expenditure report, list of beneficiaries
					Date of Nkandla Tourism brochure production and publication	Date	Nil	n/a	n/a	Nkandla Tourism brochure production and publication by 31 March 2014	Not met	lack of funds however it is budgeted in 14/15 financial year		copies of publications, expenditure report

				To preserve a Zulu culture by engaging in different cultural activities	Number of Cultural Events held	Number	Both Reed & Zulu Dance held in 2012/2013	Both Reed & Zulu Dance to be 2012/2013	Both Reed & Zulu Dance held in 2012/2013	umviliyelo wezintombi Reed dance Zulu dance - August	umviliyelo wezintombi Reed dance Zulu dance -held in August	n/a		
				To promote Nkandla tourism locally and abroad	Date of establishment of Nkandla Tourism Forum	Date	Nil	Review of LED Plan & Tourism Strategy	not reviewed	Establish Nkandla Tourism Forum by 31 March 2014	Not achieved lack of cooperation within members	The committee will be reviewed in the next financial year in 14/15		Reed dance, Cultural day and Nkandla music festival Pictures, Attendance Register and Expenditure report
			To improve quality of life	Motivated Nkandla youth and educated learners on different career paths.	Number of Career Guidance events	No.	1	1 career guidance event	1 career guidance event held	1 career guidance event	1 career guidance event held	one career guidance is planned for 2014/15 financial year		Correspondence, attendance register, list of

			through social infrastructure development											people, report
				Literacy confidence among Nkandla learners	Date of a Spelling Bee Event	Date	1	Date of a Spelling Bee Event	1 Spelling Bee Event held	Spelling Bee Competition by 06 September 2013	Spelling Bee Competition held on 06 September 2013	n/a		Event pictures, Attendance Register and Expenditure report
					Date of the debate competition for High Schools	Date	1	Date of the debate competition for High Schools	1 debate competition for High Schools held	Debates completion by 6 September 2013	Debate completion held on 6 September 2013	n/a		Event pictures, Attendance Register and Expenditure reports
				Increased computer literacy level in the community of Nkandla	Number of Community members trained in basic computer skills	No.	66	66 Community members	66 Community members trained	80 Community members trained in basic computer skills	community members were	n/a		Event pictures, Attendance Register,

								trained in basic computer skills	in basic computer skills		trained on computer skills			Expenditure reports
				Educated community on the functions of the library	Number of Library Orientation sessions conducted	No.	10	12 Library Outreach & Orientation Programmes	12 Library Outreach & Orientation Programmes	9 Library Orientation sessions	9 Library Orientations held	n/a		Attendance Register, training program, expenditure report
				To contribute to a number of educated and skilled Nkandla youth	Date of adoption of the study assistance policy	Date	0	n/a	n/a	Adoption of the study assistance policy by 31 December 2013	the study assistance policy was adopted by 31 December 2013	n/a		Attendance Register, training program, expenditure report, programme report

				To contribute to a number of educated and skilled Nkandla youth	No. of students supported through Mayoral tertiary registration program	No.	15	10 youth funded to access tertiary institutions	15 youth funded to access tertiary institutions	20 Students funded through the youth development fund	20 Students were funded through the youth development fund	n/a		Council resolution, Copy of study assistance Policy document
				To empower and develop Nkandla youth through developmental programmes that will Marketing tool that promote tourism	Youth Summit event held	Date	Nil	Youth Summit event held	non was held	Youth Summit event held by 31 Dec 2013	Youth Summit event was held	n/a		Students Results and Correspondence with Tertiary Institutions Concerned
				To ensure full functionality of the public facilities	% maintenance of public facilities in need of maintenance	%	50%	n/a	n/a	100% maintenance of public facilities in need of maintenance	MET, 100%, Nkandla stadium and	n/a		Attendance Register, Pictures and Expenditure

											Chwezi stadium maintained			ure reports
					Date of facility management policy adopted	Date	Nil	n/a	n/a	Development of Facilities Management Policy 31 December 2013	Facilities Management Policy not developed and not adopted	n/a		Policy document, council resolution report, pictures, correspondence, expenditure report
				Reduced disaster occurrences	Development and adoption of the disaster management plan	Date	disaster management plan 2013	Adoption of Disaster management	Disaster management not adopted	Adopted Disaster management by 31st December 2013	Disaster management policy not drafted and adopted	n/a		

				Provision of the disaster relief items	% response to disaster occurrences	%	100%	8 Disaster Management Awareness Campaigns	5 Disaster Campaigns held	100% response to disaster occurrences	MET, Every reported incident attended to with the support from DSD and Uthungulu DMC	n/a		Council resolution, Copy of disaster management plan Policy document
				To develop the culture of sports and recreation amongst Nkandla citizens	Mayoral events held		1 Miss and Mr Nkandla 2014	1 Miss and Mr Nkandla 2013	1 Miss and Mr Nkandla 2013 held	Miss and Mr Nkandla 2014	Miss and Mr Nkandla rescheduled for 2014/15	rescheduled for the december 2014 of the 14/15 financial year		Pictures and Expenditure report, report
				To develop the culture of sports and recreation amongst Nkandla	Mayoral Soccer tournament event held	Date	Quarter 4	Mayoral Soccer tournament event	Mayoral Soccer tournament event held	Mayoral Cup tournament held by 31 December 2013	Mayoral Soccer tournament event	n/a		pictures, expenditure reports, correspondence

				citizens				to be held			was held			and media articles.
				To improve inter governmental relations through sports and recreation	No of codes participating in SALGA Games	6	9	8 codes Participating in the 2012/13 SALGA games	9 codes Participated in the 2013/14 SALGA games	9 codes Participating in the 2013/14 SALGA games	9 codes Participated in the 2013/14 SALGA games	n/a		Pictures, expenditure report, list of teams, correspondence, Report
				To promote the culture of sports and recreation locally and abroad	Horse-riding event held	Date	Nil	n/a	n/a	Horse riding event pre-Dundee by 30 June 2014	1 Horse Riding Event held at Ethale ni on the 3rd May 2014	n/a		Pictures, expenditure report, list of teams, correspondence, Report
					Number of tournaments (Boxing, Indigenous games, dance, volley ball, netball and karate held	Number	1	5 Sports Codes	8 Sports Code developed	6 tournaments (Boxing, Indigenous games, dance, volley ball, netball and karate)	1 boxing Tournament held on the 07 May	SALGA games will be used to accommodate all sporting codes.SALGA will be held in August 2014		Pictures, expenditure report, list of teams, correspondence,

								devel oped: 1. Femal e socce r 2. Indige neous game s 3.Boxi ng 4.Ball room dance 5. Karat e			2014			Report
				To promote a healthy Lifestyle through league game	Number of league games held	Nu mbe r	4	5 Sport s	4 Sports Code develop ed through	3 league games (Cricket & soccer, athletics)	Target not met due to budget	SALGA games will be used to accommodate all sporting codes.SALGA		

				participation				liegue held	SALGA games		ery constr aines	will be held in August 2014		
				To contribute towards the reduction of HIV/AIDS infection rate	Date of local HIV and AIDS events	date	2 ND Quar ter	4 HIV/AIDS awareness campaigns, with 1000 participants	1 HIV/AIDS Campaign was held in 2012/13	Local HIV/AIDS awareness day 22 November 2013	Local HIV/AIDS awareness day was held by 22 November 2013	n/a		Pictures, expenditure report, list of teams, correspondence, Report
					Date of the world aids day event	date	2nd quarter	n/a	n/a	The world aids day event 31 Dec 2013	world aids day event was held by 01 Dec 2013	n/a		Attendan ce Registers or pictures, expenditure report, correspondence

				Integrated early childhood development	No. of Early Childhood Development (ECD) ECD sites provided with equipment's	Number	30	No. of Early Childhood Development (ECD) ECD sites provided with equipment's	30 Early Childhood Development (ECD) ECD sites provided with equipment's	28 ECD sites provided with equipment's	28 ECD sites were provided with equipment's	n/a		Expenditure reports
				To capacitate ECD practitioners through ECD training programmes	No. of (ECD) practitioners trained	Number	10	16 ECD Practitioners trained	60 ECD Practitioners trained	15 ECD practitioners trained by 30 June 2013	15 ED practitioners trained by TREE	n/a		List of beneficiaries, procurement documents
				To play a role in the lives of the deprived Local families	No. of families provided with school uniforms	Number	30	No. of families provided with school uniforms	30 families provided with school uniforms	50 families provided with school uniforms by 31 March 2014	Not Met due to insufficient funds	The NGO's AND Government departments will be engaged to facilitate the programme due to funds that		Attendance Registers report from the service provider

												were redirected to skills development project		
				To contribute to Reduced discrimination and vulnerability of People with disability (PWD)	No. of Disability awareness campaigns	Number	4	No. of Disability awareness campaigns	4 campaigns conducted	3 Disability awareness campaigns	3 Disability awareness campaigns done	Department made all necessary arrangements . Implementation halted by the events committee		Attendance Register & procurement documents
				To promote Job opportunities Self sustenance of disabled people	Establishment of a wheelchair repair centre	Number	Nil	3 People with Disabilities trained in Wheel chair repair	non was trained	1 Wheelchair repair centre established by 30 June 2014	wheel chair repair centre not done	This has included in the 2014/15 SDBIP for further implementation		Attendance registers, expenditure report

				To play a role in the welfare of the Nkandla Senior citizens	No. of poverty alleviation programmes conducted for senior citizen	Number	4	No. of poverty alleviation programmes conducted for senior citizen	non was implemented	6 poverty alleviation programmes for senior citizens	6 poverty alleviation programmes for senior citizens	n/a		Pictures, expenditure report, correspondence, report
				To comply with provincial and National priorities	Adoption of the Indigent policy	Date	Nil	Adoption of the Indigent policy	not adopted	Adopted Indigent policy by 31 December 2013	Adopted Indigent policy by 31 December 2013	n/a		Signed list of beneficiaries, expenditure report
				To educate Nkandla Community members on the gender related issues	Launch of the Men's forum	Date	Nil	Launch of the Men's forum	non was formed	Men's forum launched by 30 September 2013	Men's forum launched by 30 September 2013	n/a		Copy of a indigenous policy document, council resolution

					Launch of the women's forum	Date	Nil	Launch of the women's forum	non was formrd	Women's forum launched by 30 31 December 2013	Women's forum not launched by 31 December 2013	To be launched by 31 August of the next financial year 2014/15		Attendance Registers, expenditure report, correspondence
					Launch of the gender commission	Date	Nil	Launch of the gender commission	non was formrd	Launch of the gender commission by 30 March 2013	Was reched uled for the next financial year	n/a		
1.1	Basic service delivery	Improve access to basic services	To improve quality of life through social infrastructure development	To pay all FBE invoices from Eskom and Municipal indigent households within 30 days	Timeous payment of FBE invoices from Eskom within 30 days and monthly indigent relief within CBD	Number of days	30 days	Payment of all FBE invoices received within 30 days	Invoices Paid within 30 days	Payment of all FBE invoices received within 30 days	Invoices Paid within 30 days	none	BUDGET & TREASURY	Payment vouchers, monthly bank statement/application for FBE sent to Eskom for approval

				To pay all FBE invoices from Eskom and Municipal indigent households within 30 days	Beneficiaries receiving free basic electricity per month	%	1054	800 Households with access to free basic electricity	Indigent's Register updated	1500 of beneficiaries	Beneficiaries increased by 181 (1054+181=1235)	none		Payment vouchers, monthly bank statement/application for FBE sent to Eskom for approval
				Compliance with Reporting requirements of the MFMA, Act No. 56 of 2003	Submission of monthly financial reports to Treasury (Sec 71) & EXCO	Number of reports signed and reviewed by the CFO and sent to Treasury	12	12 section 71 reports signed and reviewed by the CFO and sent to Treasury	All Reports Submitted on time	12 section 71 reports signed and reviewed by the CFO and sent to Treasury	All Reports Submitted on time	none		Sec 71 Returns submitted within 10 working days of the next month

				Compliance with section 72 of the MFMA		sury								
					Submission of quarterly financial reports to Treasury and EXCO	Number of reports	4	Submission of 4 quarterly financial reports to Treasury and EXCO	Reports Submitted on time	Submission of 4 quarterly financial reports to Treasury and EXCO	Reports Submitted on time	none		Returns submitted within 10 working days of the following month
1.3	Financial Viability and management	Differentiated approach to municipal financing, planning and	To enhance revenue expenditure control and utilisation of		Submission of midyear Assessment report	Date	Quarter 3	Submission of midyear Assessment report	Reports Submitted on time	Submission of midyear assessment report by 25/01/2014	midyear assessment report by submitted on the 25/01/2014	none		Midyear assessment report, and Proof of submission

		support	municipal assets through sound financial management in accordance with applicable legislative and regulatory framework	Annual Financial Statements in time submitted on time MFMA S126 (1)a	Submission for audit purposes of the Annual Financial Statements for the 2012/2013 financial year	Date	31-Aug-12	Submission of AFS by 31/08/2012	AFS submitted on time	31/08/2013	This target was met in the first quarter	none		Proof of submission of AFS from AGSA
				Approved budget of 2014/2015 financial year	Approval of the budget process plan	Date	n/a	Approval of the budget process plan by 31 August 2012	Process plan approved on time	Approval of the budget process plan by 31 August 2013	The process plan approved on time and submitted	none		Copy of budget process plan and council resolution
					Obtain inputs from all Directorates within the Municipality	Date	n/a	Obtain inputs by 31 Dec 2012 from all Directorates within the Municipality	Target achieved	Obtain inputs by 31 Dec 2013 from all Directorates within the Municipality	Target achieved by 31 Dec 2013	none		Correspondence on the submission of budget inputs received from directorate

					Prepare a detailed draft operating and capital budget and tariff adjustment	Date	n/a	Prepare a detailed draft operating and capital budget and tariff adjustment by 31 - 03- 2013	This target achieved by 31 March 2013	Prepare a detailed draft operating and capital budget and tariff adjustment by 31 -03- 2014	This target achieved by 31 March 2014	none		Copy of draft operating and capital budget and tariff adjustment, council resolution
					Undertake public participation process on the tabled budget	Date	n/a	Undertake public participation process by 30-04- 2013 on the tabled budget	Target achieved	Undertake public participation process by 30-04-2014 on the tabled budget	This target was met (IDP izimbizo took place on the 29/04/ 2014, 01/05/ 2014 and 02/05/ 2014)	none		

					Adoption by Council of the Operating and Capital Budget of the Municipality for 2014/2015	Date	31-May-13	Adoption by Council of the Operating and Capital Budget of the Municipality for 2014/2015	Operating and Capital Budget of 2013/2014	2014/15 Operating and Capital Budget of the Municipality adopted by 31-05-2014	The Budget was adopted on the 29th of MAY 2014	none		Copy of budget and council resolution
1.7	Good governance and public participation	Deepen democracy through a refined Ward Committee Model	To create a participatory platform for all stakeholders in compliance	Ensure that the municipality maintains the unqualified audit opinion	Maintaining the unqualified audit opinion	Yes/No	Unqualified audit	Unqualified Audit Report achieved for 2011/12	Target achieved	Maintaining the unqualified audit opinion	The unqualified audit opinion obtained	none		Audit opinion report received

			with regul atory frame works		Implementatio n of the new Municipal AG Queries Action Plan	%	None	100 % Imple menta tion of the new Municipal AG Quer ies Action Plan	not all quiries resolved	100 % Implementatio n of the new Municipal AG Queries Action Plan	All AG quiries resol ved	none		Progress Report on the Plan
				Approved Adjustment Budget for the Municipality in respect of 2013/14 financial year	Approval of an Adjustment Budget in accordance with the provisions of Section 28 of the MFMA , as amended	Dat e	25- Jan- 13	Appro val of an Adjust ment Budge t by 28-02- 2013 in accord ance with the provisi ons of Sectio n 28 of the MFMA	Adjustm ent budget aprove by 28- 02-2013	Approval of an Adjustment Budget by 28- 02 2014 in accordance with the provisions of Section 28 of the MFMA , as amended	Adjust ment budget aprove by 28- 02- 2014	none		Copy of an Adjustme nt Budget with Council Resolutio n

								, as amend ed						
				Implementatio n of internship programme with the directorate	Review the Internship programme for the 2014/2015 financial year	Dat e	None	n/a	n/a	Review the Internship programme for the 2014/2015 financial year by 30 June 2014	Four Interns are alread y on the system , one has been adverti sed	One intern will be appointed in JULY 2014		Confirma tion letter of allocation from Treasury
					Evaluation of the performance of the Interns engaged within the Finance function at the Municipality	Nu mbe r of eval uati on repo rts	None	n/a	n/a	12 evaluation reports	No Progre ss	The evaluation reports will be done quartely to make 12 reports in 2014/2015 Fincial year		Monitori ng and Evaluatio n Report

1.3	Financial Viability and management	Differentiated approach to municipal financing, planning and support	To enhance revenue expenditure control and utilisation of municipal assets through sound financial management in accordance with applicable legislative and	Promoted SMME and BEE development	Issuing of orders to entities that comply with preferential procurement framework	Numbers	120	120 BBBE E Compliant Enterprises benefiting from the Municipal SCM	1200 BBBEE benefited	80 BBBEE Compliant Enterprises benefiting from the Municipal SCM	80 BBBE E Compliant Enterprises benefiting from the Municipal SCM benefited	none		SCM Quarterly Reports, Database forms and payment vouchers
				Reported SCM Performance	Submit quarterly reports to the Municipal Manager and the Mayor regarding the functioning of the process	Number	n/a	Submit quarterly reports to the Municipal Manager	Submit quarterly reports to the Municipal Manager and the Mayor	Submit 4 quarterly reports to the Municipal Manager and the Mayor regarding the functioning of the process	4 quarterly reports submitted to the Municipal	none		SCM Quarterly Reports

			regulatory frame work					er and the Mayor regard ing the functio ning of the proces s	regardin g the functioni ng of the process done		Manag er and the Mayor regardi ng the functio ning of the proces s		
				Reported SCM Performance	Undertake scheduled stock takes	Nu mbe r	n/a			Undertake 4 scheduled stock takes	the stock take was not done in the 4th quarte r	The stores manager has been appointed the stock take will be done quartetely.	Stock Take Report
				Reported SCM Performance	Invitation of prospective service providers to register and update the information on the municipal suppliers database	Dat e	n/a	Invitati on of prospe ctive service provid ers to registe r and updat e the	lprospec tive service provider s updated on register and suppliers databas	Invitation of prospective service providers to register and update the information on the municipal suppliers database by 30 June 2014	Public notice was issued on the 29th OF MAY 2014	NONE	Public Notice

								information on the municipal suppliers database	e					
				To ensure that finance portfolio seats on regular basis	Number of portfolio committee meetings MSA	Number	6	Number of portfolio committee meetings MSA	6 portfolio committee meetings per MSA held	12 portfolio committee meetings MSA	3 meetings held	none		Attendance Registers and minutes
					Reports on implementation of resolutions taken	Number	None	Establishment of council resolution and 100% implementation	council resolution established and 100% implemented	12 Reports on implementation of resolutions taken	No resolution that needs implementation was taken	none		Report on the implementation of resolutions taken

1.3	Financial Viability and management		To enhance revenue, expenditure control and utilization of municipal assets through sound financial management in accordance with applicable legislative and	To ensure the enhancement of revenue through the sale of electricity	Facilitate the marketing of electricity token hand held devices	Date	MFM A S 64	n/a	n/a	Facilitate the marketing of electricity token hand held devices by 31-12-2013	Not yet finalised	This has been incorporated in to a vending system. The two service provider will sign a service agreement with municipality.		Public Notice/ Advert
				Ensure implementation of the marketing of hand held devices	Number of handheld devices implemented	Number	MFM A S 64	n/a	n/a	3 Number of handheld devices implemented	Not yet finalised	two device will be implemented in the first quarter of 2014/15 financial year		Copy of the service level agreement with the Vendors
				To ensure that customers receive the statements of accounts in time	Monthly bills are forwarded to customers in time	Date	n/a	To ensure that customers receive the statements of accounts in time	Monthly bills are forwarded to customers in time	Monthly bills are forwarded to customers in time by 07th of each Month	Monthly bills are forwarded to customers in time	none		Statement Delivery Register

			regulatory frame works	To effectively and efficiently manage the Municipality's Cash Flow	Monitor the receipt of grant funds from national and provincial authorities through a Grant Register	Amount of revenue collected	n/a	R13'299 971.00	R13'299 971.00 revenue collected	R 104 208 000.00	This Target has been met and R104'208 000.00 collected	none		Grant Register and cash flow report
				Managed grant funding	Monitor expenditure from grant funding that it is in accordance with grant stipulations	Number	MFM A S 65	12 reports on Monitoring of expenditure from grant funding that it is in accordance with grant stipulations	expenditure from grant funding reported on monthly bases	12 reports on Monitoring of expenditure from grant funding that it is in accordance with grant stipulations	expenditure from grant funding reported on monthly bases	none		Grant Returns & reconciliation

				Ensured that expenditure from grant funding is in accordance with grant stipulations	Preparation of a consolidated report on the receipt and expenditure of grant funds	Number	12	Preparation of a 12 consolidated report on the receipt and expenditure of grant funds	12 consolidated reports on the receipt and expenditure of grant funds prepared	Preparation of a 12 consolidated report on the receipt and expenditure of grant funds	12 consolidated reports on the receipt and expenditure of grant funds prepared	none		Monthly reports
				Prepared consolidated reports on the receipt and expenditure for submission to the Municipal Manager and EXCO	Number of completed bank reconciliation statements	Number	12	12 completed bank reconciliation statements	Bank Reconciliation Statements are prepared on monthly basis	12 completed bank reconciliation statements	Bank Reconciliation Statements are prepared on monthly basis	none		Monthly reports
				Management of the Municipality's Bank Accounts	Percentage of budget spent per quarter vs. approved budget	Number	100%	100% of budget spent per quarter vs.	100% of budget was spent per quarter	100 %of budget spent per quarter vs. approved budget	100% of budget was spent per quarter	none		Report on Budget vs Actuals

								approved budget			r			
				Exercised financial and fiscal control	Preparation of updated cash flow projections for the Municipality	Number of projection reports	n/a	52 projection reports	52 projection reported	52 projection reports	52 projection reported	Projections will be performed on quarterly basis in 2014/2015		Weekly Cash flow Projections Reports
				Exercised financial and fiscal control	Timely completion of the operational budget inputs for the Directorate in respect of the 2014/2015 financial year	Date	n/a	Timely completion of the operational budget inputs for the Directorate in respect of the 2014/2015 financial year	Timely completed	completion of the operational budget inputs for the Directorate in respect of the 2014/2015 financial year by 31-01 2014	This target was met in the third quarter	none		Budget Inputs

				Exercised financial and fiscal control	Collection of the budgeted revenue for the Directorate in respect of the 2013/2014 financial year	Percentage	n/a	Collection of the budgeted revenue for the Directorate in respect of the 2012/2013 financial year	revenue collected	80% Collection of the budgeted revenue for the Directorate in respect of the 2013/2014 financial year	80% budgeted revenue collected	Upgrading of electricity infrastructure, review of lease agreements and review of credit control and debt collection policy is still in progress		Service Charges Collection Reports and revenue cash flow report
				Exercised financial and fiscal control	All finance Reconciliations performed	Number	2	12 Reconciliations performed	2 finance Reconciliations performed	12 finance Reconciliations performed	12 finance Reconciliations performed	none		Monthly Reconciliations
				Exercised financial and fiscal control	Update payroll on a monthly basis	Number of payroll reports	12	Update payroll on a monthly	12 payroll updates issued	12 payroll reports	12 payroll reports issued	none		Exception / Payroll Report

						rts		basis						
				Exercised financial and fiscal control	Undertake Review of financial policies and procedures	Date	Quarter 4	Approved policies and procedure manuals 1. Tariff policy 2.Debt collection and credit control policy	policies updated	Undertake Review of financial policies and procedures by 31-05-2014	The policies were reviewed, but not yet adopted by council	Policies will be submitted for adoption in the first council meeting of 2014/2015		Resolution

								3. cash and invest ment policy 4.SC M Policy 5.Ass ert mana geme nt policy						
				Exercised financial and fiscal control	GRAP 16 & 17 Asset Register in place	Yes/ No	GRAP com pliant asset regist er	Updat ed and credib le indige nt	indigent police updated	Yes	FAR is update d on annual basis, The consult ants from KPMG	GRAP compliant FAR to be finalised on the 18th of July 2014		Asset Register

								regist er, Fixed asset regist er			update d the assert registe r			
				Exercised financial and fiscal control	Updating of fixed asset register to reflect all infrastructure and moveable assets within the Municipality	Nu mbe r of asse t addi tion s	n/a	Updat ed and credib le indige nt regist er, Fixed asset regist er	fixed assert register updated	12 asset additions	FAR is update d on annual basis, The consult ants from KPMG has update d assert registe r	GRAP compliant FAR to be finalised on the 18th of July 2015		Updated Asset Register
				Exercised financial and fiscal control	Update the investment property register	Nu mbe r	n/a	Updat ed and	fixed assert register updated	4 Updated the investment property register	FAR is update d on annual	GRAP compliant FAR to be finalised on the 18th of		Updated Investme nt Property

								credib le indige nt regist er, Fixed asset regist er			basis, The consult ants from KPMG has update d the registe r	July 2016		Register
				Exercised financial and fiscal control	Undertake scheduled monthly inspections of assets to confirm location of assets	Nu mbe r	n/a	Updat ed and credib le indige nt regist er, Fixed asset regist	fixed assert register updated	Undertake 12 scheduled monthly inspections of assets to confirm location of assets	12 schedu led monthl y inspect ions of assets imple mente d	This target has also been set for 2014/2015, for a fully functional Asset Management Unit that has been established		Schedule and Asset Inventory Sheets

								er						
1.1	Basic service delivery and infrastructure development	To enhance service delivery through capital development	To enhance service delivery through capital development	1.1 To attend & resolve all electricity faults reported in Nkandla Town	% of households electricity faults resolved within 24hrs subject to the extent of the fault	%	100%	100% electricity faults attended	100% electricity faults attended	100% of households electricity faults resolved within 24hrs subject to the extent of the fault	100% electricity faults attended	n/a	TECHNICAL SERVICES	copy of fault report form
				1.3 To maintain and service Town Electricity Infrastructure	Date of the appointment of a suitable electrical contractor to conduct and report on the status of all transformers within town	Date	Nil	n/a	n/a	appointment of a suitable electrical contractor to conduct and report on the status of all transformers within town by 30 Sept 2013	The HAMS Aans CONLOG was appointed	n/a		Appointment letter or official order assessment report

					Purchased new standby generator	Number	Nil	n/a	n/a	Purchased new standby generator	The standby generator was purchased and working	n/a		
					Number of serviced and replaced transformers	Number	Nil	100 % Reduction of electricity outages	50 % Reduction of electricity outages	26 Transformers	26 Transformers serviced and replaced	contractor appointed to service and upgrade MV & LV		Appointment letter or official order
					purchase Cherry picker truck	number	nil	n/a	n/a	purchase of 1 Cherry picker truck	Cherry picker truck not purchased	to done in the next financial year		Maintenance and service records, expenditure report, correspondence

					% of transformers on the red light category serviced	%	nil	n/a	n/a	100% of transformers on the red light category serviced	Transformers serviced	contractor appointed to service and upgrade MV & LV		invoice, a dvert
					Collection of the budgeted revenue for the Directorate in respect of the 2013/2014 financial year	number	nil	Collection of the budgeted revenue for the Directorate in respect of the 2012/2013 financial year	Collection of the budgeted revenue for the Directorate in respect of the 2012/2013 financial year	1 Collection of the budgeted revenue for the Directorate in respect of the 2013/2014 financial year	revenue collected for the Directorate in respect of the 2013/2014 financial year	n/a		maintainance and service records, expenditure report, correspondence
				1.5 To complete the 2012'2013 roll over projects for Ekhombe and Mfongosi Self Built Electrification projects	Number of Electrified households	number	.	Electrical connections to 1290	Electrical connections to 20967 househ	1300 connections	1300 connections completed	n/a		good received note, picture and prof of payment

								house holds witho ut acces s to electri city	olds without access to electricit y connect ed					
				1.6 To appoint service providers for the construction of Self-Built Electrification projects	Number of appointed service providers for the self-Built Electrification Projects (2013'14) 1.Vumahlamvu /Mandaba/Ma ndaba/ Ntinini 2. Mvutshini/ Mndunduzeli/ Quthu/ Bhacane/ Malunga Electrification	Nu mbe r	2	Mfong osi electrif ication and Ekhom be electrif ication	Mfongos i electrific ation and Ekhomb e electrific ation impleme nted and complet ed	2 appointed service providers for the self-Built Electrification Projects (2013'14) 1.Vumahlamvu /Mandaba/Ma ndaba/ Ntinini 2. Mvutshini/ Mndunduzeli/ Quthu/ Bhacane/ Malunga Electrification	Service provid ers appoin ted	n/a		Pictures, electrifica tion program, expendit ure report, correspo ndence

				1.7 To have completed self-Built Electrification Projects (2013'14) 1.Vumahlamvu /Mandaba/Mandaba/ Ntinini 2. Mvutshini/ Mndunduzeli/ Quthu/ Bhacane/ Malunga Electrification	Number of Electrified households	number	3423	1290 of Electrified households	3423 Electrified households	736 Electrified households in Vumahlamvu/ Mandaba/Mandaba/ Ntinini	infrastructure completed but not energised by Eskom	736 households in Vumahlamvu/ Mandaba/Mandaba/ Ntinini will be energised by Eskom by 31 December 2014		Appointment letters, a list of electrified households, electrification plan
				1.7 To have completed self-Built Electrification Projects (2013'14) 1.Vumahlamvu /Mandaba/Mandaba/ Ntinini 2. Mvutshini/ Mndunduzeli/ Quthu/ Bhacane/ Malunga Electrification	Number of Electrified households	number	3423	1290 of Electrified households	3423 Electrified households	736 Electrified households in Mvutshini/ Mndunduzeli/ Quthu/ Bhacane/ Malunga	Project not complete	Applied for additional funding		completion certificate

				2.1 To maintain CBD Roads	Number km tarred roads maintained	km	2.5 km	2.5 Km road tarred in CBD road	2.5Km road tarred in CBD road	1 km tarred roads maintained	1 Km road in CBD road maintained	n/a		completion certificate
				2.2 To maintain residential Roads	Number of kms maintained within the town boundaries	Km	3km	3 kms maintained within the town boundaries	3 kms maintained within the town boundaries	6 kms maintained within the town boundaries	6km road around town boundaries not maintained	The material for road maintenance has been purchased and the implementation will begin by the 1st of August 2014 and other maintenance will be done where there is a need.		Expenditure report, pictures, road maintenance records, correspondence
				2.3 To appoint the service provider to provide and operate the plant to maintain the roads	Date of the appointment of the Service provider	Date	4th Quarter	n/a	n/a	Appointment of the Service provider by 30 September 2013	The service provider appointed	n/a		Expenditure report, pictures, road maintenance records, correspondence

				2.4 To maintain gravel roads in wards through RRUP	Number of kms and maintained	Km	14	10km Access Roads to be regravelled	10km Access Roads to be regravelled	70 km roads and maintained	80 km road maintained	n/a		Appointment letter
				3.1 To maintain hygiene and healthy living by ensuring removal of refuse on a regular basis	A number of truckloads of waste disposed in a landfill site	Number	486	486 truckloads of waste disposed in a landfill site	More than 486 truckloads of waste disposed in a landfill site	486 truckloads of waste disposed in a landfill site	More than 486 truckloads of waste disposed in a landfill site	n/a		Expenditure report, pictures, gravel road maintenance records, correspondence
				3.2 To conduct waste awareness campaigns	Awareness campaigns in all 4 nodes	number	none	Awareness campaigns in all 4 nodes	not achieved	Waste Awareness campaigns in all 4 nodes by 31/03/14	one awareness campaign done in ward 5	The awareness are planned to take place in all four wards in 2014/15		Schedule /Time table, a signed schedule by the local Induna

				4.1 To register MIG & other Projects to be implemented in 2014'2015	Number of registered MIG projects	Number	6 MIG Projects	Registration of 7 MIG projects	Registration of 6 MIG projects	Registration of 7 MIG projects	8 MIG projects registered	n/a		correspondence, expenditure report, pictures, programme
				4.2 To appoint service providers for the construction of MIG projects	Date of appointed service providers for the construction of the following project 1. Thalaneni CSC 2. Thalaneni to Malunga/Aroma 3. Esibhudeni CSC, 4. Nsuzi/ Ngomankulu Bridge 5. Banagamanzi/ Mfongosi Link Road 6. Matshenezimphi Phase II, 7. A1539 Esikhaleni	Date	5 appointed contractors	n/a	n/a	Appointment of the following 8 Capital Projects: 1. Thalaneni CSC 2. Thalaneni to Malunga/Aroma 3. Esibhudeni CSC, 4. Nsuzi/ Ngomankulu Bridge 5. Banagamanzi/ Mfongosi Link Road 6. Matshenezimphi Phase II, 7. A1539 Esikhaleni Access. 8. Mashushu link road by 30-	5 contractors appointed	n/a		Relevant registration documents, appointment letters, advert, project list, correspondence

					Access. 8. Mashushu link road					Sept.-2013				
				4.3 To implement MIG Projects by 2013/2014	Number of Completed Capital Projects: 1. Thalaneni CSC 2. Thaleni to Malunga/Erom a 3. Esibhudeni CSC, 4. Nsuze/ Ngomankulu Bridge 5. Banagamanzi/ Mfongosi Link	Numbe r	1. Mvut shini CSC 2. King Cets hway o 3. Polel a road Reha b	3appr oved Projec ts	Thaleni CSC and Esibhud eni approve d	Construction and completion of the 8 following Capital Projects:	8 Capital Project s Constr ucted and compl eted	n/a		Appointm ent letters

					Road 6. Matshenezimpisi Phase II, 7. A1539 Esikhaleni Access. 8. Mashushu link road									
	Basic service delivery and infrastructure development	To enhance service delivery through capital development	To enhance service delivery through capital development	4.3 To implement MIG Projects by 2013/2014	Thaleni CSC 2.Thaleni malunga Roma 3.Esibhudeni CSC	Number	Thaleni CSC 2.Thaleni malunga Roma 3.Esibhudeni CSC	3 approved projects	Only 2 construction started but not completed .	1. Thalaneni CSC, the budget will be less 5% of the construction cost which is released after retention costs have expired	project at 100% completion certificated not yet issued due to some minor finalisation	n/a		
								Thaleni CSC	Constructed but not completed	2. Thaleni to Malunga/Erom a	project 100% completed	n/a		Proof of payment, pictures and

									ed					Practical completion certificate
								10k Bhacane - Malunga to be gravelled	Not completed	3. Esibhuden i CSC, the budget will be less 5% of the construction cost which is released after retention costs have expired	project at 73% completion certificate not yet issued due to some minor finalisation	to be completed in the first quarter of the next financial year		Proof of payment, pictures and Practical completion certificate
								Esibhuden i CSC	Not completed	4. Nsuze/ Ngomankulu Bridge (the budget will be less 5% of the construction cost which is released after retention costs have expired)	project at 35% completion certificate not yet issued due to some minor finalisation	Roll over project to be completed in the first quarter of the next financial year		Proof of payment, pictures and Practical completion certificate

										5. Banagamanzi/ Mfongosi Link Road the budget will be less 5% of the construction cost which is released after retention costs have expired	project at 82% completion certificated not yet issued due to some minor finalisation	Roll over project to be completed in the first quarter of the next financial year		Proof of payment, pictures and Practical completion certificate
										6. Matshenezimpisi Phase II, the budget will be less 5% of the construction cost which is released after retention costs have expired	project 100% completed	n/a		Proof of payment, pictures and Practical completion certificate
										7. A1539 Esikhaleni Access. the budget will be less 5% of the construction cost which is released after retention costs	project at 96% completion certificated not yet issued due to	to be completed in the first quarter of the next financial year		Proof of payment, pictures and Practical completion certificate

										have expired	some minor finalisation			
										8. Mashushu link road (the budget will be less 5% of the construction cost which is released after retention costs have expired)	project 100% completed	n/a		Proof of payment, pictures and Practical completion certificate
	Basic service delivery and infrastructure development	To enhance service delivery through capital development	To enhance service delivery through capital development	4.4 Ensure employment of local labours	Number of local labours employed through EPWP Programme	number	100	120 local labours employed through EPWP Programme	100 local labours employed through EPWP Programme	120 local labours employed through EPWP Programme	more than 120 local labours employed through EPWP Programme	n/a		Proof of payment, pictures and Practical completion certificate

	Basic service delivery and infrastructure development	To enhance service delivery through capital development	To enhance service delivery through capital development	4.5 To complete the 2012'2013 roll over projects	Number of completed roll over projects		2	3 completed roll over projects	2completed roll over projects	3 completed roll over projects	project at 99% completion certificated not yet issued due to some minor finalisation	to be completed in 1st of the next financial year		Employment report, employment contract, correspondence
	Basic service delivery and infrastructure development	To enhance service delivery through capital development	To enhance service delivery through capital development		Date of completion of Ezimpisini KaGugu CSC	Date	Nil			Completion of Ezimpisini KaGugu CSC to be completed by 31 December 2013	project at 99% completion certificated not yet issued due to some minor finalisation	to be completed in the first quarter of the next financial year		Practical completion certificate, pictures

	Basic service delivery and infrastructure development	To enhance service delivery through capital development	To enhance service delivery through capital development		Date of completion of Mdlelanga CSC	Date	Nil			Completion of Mdlelanga CSC by 31 December 2013	project at 99% completion certificated not yet issued due to some minor finalisation	to be completed in the first quarter of the next financial year		Practical completion certificate, pictures
	Basic service delivery and infrastructure development	To enhance service delivery through capital development	To enhance service delivery through capital development	4.5 To complete the 2012'2013 roll over projects	Date of completion of Nkandla indoor sports facility	Date	Nil	Date of completion of Nkandla indoor sports facility	Nkandla indoor sports facility implemented but not completed	Completion of Nkandla indoor sports centre by 30 September 2013 (the budget will be less 5% of the construction cost which is released after retention costs have expired	Nkandla indoor sports centre completed	n/a		Practical completion certificate, pictures

	Basic service delivery and infrastructure development	To enhance service delivery through capital development	To enhance service delivery through capital development	5.1 To Review the Nkandla Housing Sector Plan (HSP)	Adoption of a revised housing sector plan	Date	Nil	Development of Nodal Framework Plans	Nodal Framework Plans developed	Review and Adoption of housing sector plan by 30 June 2014	Housing Sector plan not yet reviewed	The HSP to be reviewed by 31 December 2014 of the 2014/15 financial year		Practical completion certificate, pictures
	Basic service delivery and infrastructure development	To enhance service delivery through capital development	To enhance service delivery through capital development	6.1 To have an adopted town planning scheme	Developed town planning scheme	Date	Nil	100% Wall to wall land use schemes as per PDA	Wall to Wall Scheme developed	Developed Wall to Wall Scheme by 30 Sept.-2013	Wall to Wall Scheme developed by 30 Sept.-2013	n/a		A reviewed housing sector plan, analysis report
		Action supportive	To enhance service	6.1 To have an adopted town planning scheme	Adopted Town Planning Scheme	Date	Nil	Adopted Town Planning Scheme	Town Planning Scheme adopted	adopted scheme by Council.	The scheme was adopted	n/a		Council resolution and copy of

		of the human settlement outcome	e delivery through capital development					ng Scheme	by council		d by council			town planning scheme
				6.2 To have reviewed SDF	reviewed SDF	Date	2012 /13 SDF	reviewed SDF	achieved	Reviewed SDF by 30 Sept.- 2013	The SDF reviewed	n/a		Reports on wall to wall scheme, Town Planning Scheme.
				6.3 To have implemented SDF	implemented SDF	Date	2012 /13 SDF	implemented SDF	not achieved	Implemented SDF by 30 June 2014	SDF implemented by June 2014	n/a		expenditure report, council resolutions
				6.4 To have a functional GIS	Functioning GIS	Date	Non-functional GIS	Functioning GIS	not achieved	Upgrade of existing GIS equipment by 31 Sept.-13	existing GIS equipment updated by 31 Sept.-13	n/a		Expenditure report, Upgrade reports, GIS map

						Date				Production of GIS Map in-house by 30 June 2014	GIS MAP was produced	n/a		Expenditure report, Upgrade reports, GIS map
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APPENDIX A

2013/2014

MANAGEMENT REPORT



AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

FINAL MANAGEMENT REPORT

Nkandla Municipality

30 JUNE 2014



FINAL MANAGEMENT REPORT

NKANDLA MUNICIPALITY

30 JUNE 2014

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FINAL MANAGEMENT REPORT TO THE ACCOUNTING OFFICER ON THE AUDIT OF THE NKANDLA MUNICIPALITY FOR THE YEAR ENDED 30 JUNE 2014

INTRODUCTION

1. Our responsibility is to:

- express an opinion on the financial statements
- express a conclusion in the management report on the usefulness and reliability of the reported performance information for selected programmes, and report the material findings in the auditor's report
- report on material findings relating to compliance with specific requirements in key applicable legislation, as set out in the general notice issued in terms of the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA).

Our engagement letter sets out our responsibilities and those of the accounting officer in detail.

2. This management report includes audit findings arising from the audit of the financial statements, reporting on predetermined objectives and compliance with legislation for the year ended 30 June 2014. These findings were communicated to management, and the report also details management's response to these findings. The report furthermore includes information on the internal control deficiencies that we identified as the root causes of the matters reported. Addressing these deficiencies will help to improve the audit outcome.
3. The management report consists of an executive summary and annexures containing the detailed audit findings.

EXECUTIVE SUMMARY

SECTION 1: Interactions with stakeholders responsible for oversight and governance

4. During the audit cycle, we met with the following key stakeholders who are responsible for oversight and governance to communicate matters relating to the audit outcome of the municipality:

Stakeholder	Number of interactions
Mayor	2
Municipal Manager	2

5. At these interactions, we discussed the audit engagement, audit strategy and the fourth quarter dashboard report. At these meetings commitments were made to implement initiatives that can improve the audit outcome. The commitments given and the progress of previous commitments are included in part F of section 2, which deals with the assessment of assurance providers.

SECTION 2: MATTERS RELATING TO THE AUDITOR'S REPORT

PART A – MISSTATEMENTS IN THE FINANCIAL STATEMENTS

6. We identified material misstatements in the financial statements during the audit. These misstatements were not prevented or detected by the municipality's system of internal control. These material misstatements also constitute non-compliance with section 122 of the MFMA.
7. The misstatements that were subsequently corrected form the basis for the unqualified opinion on the financial statements.

Material misstatement			Impact R current year	Impact R prior year
Financial statement item	Finding	Occurred in prior year (Insert Yes / No)		
Material misstatements not corrected				
None				
Material misstatements corrected				
Work in progress; property, plant and Equipment and depreciation	Project completed during the financial year but not capitalised and depreciated in accordance with GRAP17	No	2 235 776	
Payables	Liabilities not recognised by the municipality in accordance with GRAP Framework	No	1 895 906	
Payables	SARS liability not raised and disclosed at year end	No	924 141	
Liabilities and grant expenditure	Invoices relating to grant expenditure were recorded in the incorrect financial period i.e. services were rendered in the prior financial year but recorded in current financial period	Yes		6 054 676
Bank	Long outstanding reconciling items resulting in misstatement of cash and cash equivalents balance	No	670 355	
Close family member interests	Suppliers in which family members of the persons in the service of the municipality having interests were not disclosed in terms of regulation 45 of the MSCMR.	No	532 000	



Electricity losses	The municipality has incurred electricity losses however no disclosure has been made in terms of section 125 of the Municipal Finance Management Act	No	2 270 941	
Expenditure	No evidence provided to support expenditure transactions during the financial period	No	202 794	
Unspent grant liability	No substantiating evidence was provided to support the prior period write off of unspent grants i.e. Small Town Rehabilitation Grant and Facility Grant	No		2 314 389
Operating leases	Operating lease agreements were not available for audit inspection	No	1 541 877	
Accumulated Surplus	No evidence to support "adjustment for errors in creditors" line item in the statement of changes in net assets	No	423 415	
Irregular expenditure	The municipality incurred expenditure that were in contravention of the MFMA and SCM regulations	No	16 671 962	
Payables and expenditure	Subscription amount relating to 2014/2015 financial year raised incorrectly as a creditor in current financial period	No	131 328	
Accruals, Work in progress, expenditure	Liabilities not recognised by the municipality in accordance with GRAP Framework	No	799 890	
Fruitless and wasteful expenditure	Payments identified and deemed to be fruitless and wasteful, and not disclosed in the financial statements in terms of the MFMA, relating to SARS interest and penalties	No	124 581	
Vat	Vat balance disclosed in the annual financial statements did not agree to Vat reconciliation and SARS Returns	No	1 291 836	
Property, plant and equipment; working in progress	2013 work in progress transfers incorrectly disclosed in the annual financial statements	No	6 937 448	
Non- current asset held for sale	Non-current asset held for sale were not adequately disclosed in terms of GRAP100	No	908 000	
Property, plant and	Change in estimate of property, plant and equipment	No	452 860	



equipment	was not adequately disclosed in terms of GRAP3			
Deviations	Deviations approved by Council were not disclosed in the annual financial statements in terms of SCM regulation 36(2)	No	2 212 074	4 838 355

PART B – MATTERS TO BE BROUGHT TO THE ATTENTION OF THE USERS

EMPHASIS OF MATTER PARAGRAPHS

8. The following emphasis of matter paragraphs will be included in our auditor's report to draw the users' attention to matters presented or disclosed in the financial statements:

Restatement of corresponding figures

9. As disclosed in note 35 to the financial statements, the corresponding figures for 30 June 2013 have been restated as a result of errors discovered during 30 June 2014 in the financial statements of the municipality as at, and for the year ended, 30 June 2013.
-

ADDITIONAL MATTER PARAGRAPHS

10. The following additional matter paragraphs will be included in our auditor's report to draw the users' attention to matters regarding the audit, the auditor's responsibilities, and the auditor's report:

Unaudited supplementary schedules

11. The supplementary information set out on pages XX to XX does not form part of the financial statements and is presented as additional information. I have not audited these schedules and, accordingly, I do not express an opinion thereon

Unaudited disclosure notes

12. In terms of section 125(2)(e) of the MFMA the Municipality is required to disclose particulars of non-compliance with the MFMA. This disclosure requirement did not form part of the audit of the financial statements and accordingly I do not express an opinion thereon.
-

PART C – CONCLUSIONS ON REPORTED INFORMATION RELATING TO THE PERFORMANCE OF THE MUNICIPALITY AGAINST PREDETERMINED OBJECTIVES

13. Included below are our conclusions on the reported performance information for selected objectives/development priorities presented in the annual performance report.

REPORT ON PREDETERMINED OBJECTIVES

Introduction

14. We have audited the reported performance information for the following selected objectives presented in the annual performance report of the municipality for the year ended 30 June 2014:

- Development priority 5: Basic service delivery and infrastructure development on pages x to x

The accounting officer's responsibilities

15. The accounting officer is responsible for the preparation of the annual performance report in accordance with the identified performance management and reporting framework, as defined in paragraph 6 of the general notice issued in terms of the PAA. This framework deals with the planning, management, monitoring and reporting of performance against predetermined objectives. The accounting officer is also responsible for internal controls determined by management as necessary to enable the preparation of an annual performance report that is useful and reliable.

Auditor-general's responsibilities

16. As required by sections 4 and 20 of the PAA, read with the general notice issued in terms thereof, our responsibility is to express reasonable assurance conclusions on the reported performance information for selected programmes/objectives presented in the annual performance report.
17. We conducted our audit in accordance with the International Standards on Assurance Engagements (ISAE) 3000: *Assurance engagements other than audits or reviews of historical financial information*.
18. We will report on whether we have received all the information and explanations required to conduct the engagement or if we became aware of additional information, the omission of which may result in the reported performance information being materially misstated or misleading.
19. We evaluated the reported performance information against the overall criteria of usefulness and reliability.
20. We evaluated the usefulness of the reported performance information to determine whether it was presented in accordance with the National Treasury's annual reporting principles and whether the reported performance was consistent with the planned programmes. We further performed tests to determine whether indicators and targets were well defined, verifiable, specific, measurable, time bound and relevant as required by the National Treasury's *Framework for managing programme performance information (FMPPI)*.
21. We assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
22. During the audit, we performed procedures to obtain audit evidence about the usefulness and reliability of the reported performance information. The procedures selected depend on the auditor's judgement, including our assessment of the risks of material misstatement of the annual performance report. Because of the test nature and other inherent limitations of an audit, together with the inherent limitations of internal control, there is an unavoidable risk that we may not detect some misstatements, even material ones, even though we properly planned and performed the audit in accordance with ISAE 3000. The procedures performed include the following:
 - Understanding and testing the internal policies, procedures and controls relating to the management of, and reporting on, performance information.
 - Evaluating and testing the processes, systems and controls and reviewing the documentation maintained at the auditee that support the generation, collation, aggregation, monitoring and reporting of the performance indicators and targets.
 - Evaluating, testing and confirming the usefulness of planned and reported performance information in accordance with the identified performance management and reporting framework.
 - Conducting detailed audit testing and obtaining sufficient appropriate audit evidence to verify the reliability of the reported performance information in terms of its validity, accuracy and completeness.
23. We believe that the evidence obtained from the work performed provides an appropriate basis for the reasonable assurance conclusions on the usefulness and reliability of the reported performance information expressed below.

Summary of audit conclusions

24. The following is a summary of our conclusions on the usefulness and reliability of the reported performance information:

Selected objectives/development priorities	Usefulness	Reliability
Basic service delivery and infrastructure development	Unqualified	Unqualified

Unqualified conclusion

25. In our opinion, the reported performance information of basic service delivery and infrastructure development is useful and reliable, in all material respects, in accordance with the identified performance management and reporting framework.

Additional matter / matters

26. We draw attention to the following matters. Our conclusion is not modified in respect of these matters: Although we raised no material findings on the usefulness and reliability of the reported performance information for the selected programme, we draw attention to the following matters:

Unaudited supplementary

27. The supplementary information set out on pages x to x does not form part of the annual performance report and is presented as additional information. We have not audited these schedules and, accordingly, we do not express a conclusion thereon.

Audit findings in the auditor's report

28. We will report all the audit findings included under the basis for conclusion and additional matter sections of this report in the auditor's report.

PART D – FINDINGS ON NON-COMPLIANCE WITH LEGISLATION

29. Included below are material findings on non-compliance with specific requirements in key applicable legislation.

Annual financial statements

30. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122 of the Municipal Finance Management Act. Material misstatements of non-current assets, current assets, liabilities, revenue, expenditure and disclosure items identified by the auditors in the submitted financial statement were subsequently corrected and the supporting records were provided subsequently, resulting in the financial statements receiving an unqualified audit opinion.

Expenditure management

31. Reasonable steps were not taken to prevent irregular expenditure, as required by section 62(1)(d) of the MFMA.

32. Money owed by the municipality was not always paid within 30 days, as required by section 65(2)(e) of the Municipal Finance Management Act




Procurement and contract management




33. Goods and services with a transaction value of below R200 000 were procured without obtaining the required price quotations as required by SCM regulation 17(a) & (c).

34. Contracts and quotations were awarded to bidders who did not submit a declaration on whether they are employed by the state or connected to any person employed by the state, as required by SCM regulation 13(c).
35. Invitations for competitive bidding were not always advertised for a required minimum period of days, as required by SCM regulation 22(1) & 22(2).
36. Bid specifications were not always drafted by bid specification committees which were composed of one or more officials of the municipality as required by SCM regulation 27(3).
37. Bids were not always evaluated by bid evaluation committees which were composed of officials from the departments requiring the goods or services and/or least one SCM practitioner of the municipality as required by SCM regulation 28(2).
38. Bid adjudication was not always done by committees which were composed in accordance with SCM regulation 29(2).
39. A list of accredited prospective providers was not in place for procuring goods and services through quotations as required by SCM regulation 14(1)(a).

PART E – INTERNAL CONTROL

IMPLEMENTATION OF THE DRIVERS OF INTERNAL CONTROL

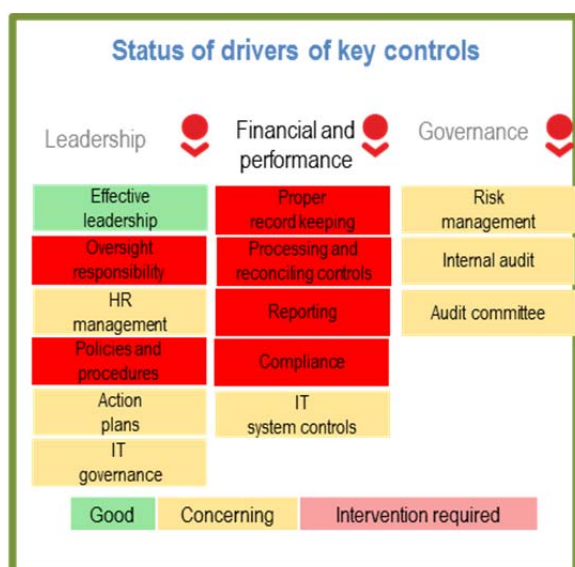
40. Below is our assessment of the implementation of the drivers of internal control, based on significant deficiencies identified during our audit of the financial statements, the [annual performance report / insert name of performance report and compliance with legislation. Significant deficiencies occur when internal controls do not exist, are not appropriately designed to address the risk, or are not implemented, which either had or could cause the financial statements or the annual performance report / insert name of performance report to be materially misstated and material instances of non-compliance with legislation to occur.
41. When the required preventative or detective controls are in place, it is assessed with a 😊; when progress on the implementation of such controls was made but improvement is still required or where actions taken are not sustainable, it is assessed with a 😐; while 😞 indicates that internal controls are not in place and intervention is required to design and implement appropriate controls. The movement in the status of the drivers from the previous year-end to the current year-end is indicated collectively for each of the three audit dimensions (namely financial statements, performance reporting, and compliance with legislation) under the three fundamentals of internal control (namely leadership, financial and performance management, and governance), with  (improved),  (unchanged) or  (regressed).

	Financial statements		Performance reporting		Compliance with legislation	
	Current year	Prior year	Current year	Prior year	Current year	Prior year
Leadership						
Overall movement from previous assessment						

	Financial statements		Performance reporting		Compliance with legislation	
	Current year	Prior year	Current year	Prior year	Current year	Prior year
• Provide effective leadership based on a culture of honesty, ethical business practices and good governance, protecting and enhancing the best interests of the entity						
• Exercise oversight responsibility regarding financial and performance reporting and compliance as well as related internal controls						
• Implement effective human resource management to ensure that adequate and sufficiently skilled resources are in place and that performance is monitored						
• Establish and communicate policies and procedures to enable and support the understanding and execution of internal control objectives, processes and responsibilities						
• Develop and monitor the implementation of action plans to address internal control deficiencies						
• Establish an information technology governance framework that supports and enables the business, delivers value and improves performance						
Financial and performance management						
Overall movement from previous assessment						
• Implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting						
• Implement controls over daily and monthly processing and reconciling of transactions						
• Prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information						
• Review and monitor compliance with applicable legislation						
• Design and implement formal controls over information technology systems to ensure the reliability of the systems and the availability, accuracy and protection of information						
Governance						
Overall movement from previous assessment						

	Financial statements		Performance reporting		Compliance with legislation	
	Current year	Prior year	Current year	Prior year	Current year	Prior year
<ul style="list-style-type: none"> Implement appropriate risk management activities to ensure that regular risk assessments, including the consideration of information technology risks and fraud prevention, are conducted and that a risk strategy to address the risks is developed and monitored 						
<ul style="list-style-type: none"> Ensure that there is an adequately resourced and functioning internal audit unit that identifies internal control deficiencies and recommends corrective action effectively 						
<ul style="list-style-type: none"> Ensure that the audit committee promotes accountability and service delivery through evaluating and monitoring responses to risks and overseeing the effectiveness of the internal control environment, including financial and performance reporting and compliance with legislation 						

42. The figure below provides the overall status of the drivers of key controls.



LEADERSHIP

Effective leadership

43. No matters to report

Oversight responsibility

44. The accounting officer did not exercise adequate oversight responsibility by ensuring adequate controls have been designed to ensure:

- Implemented controls to improve the debt recovery process of the municipality

- Ensuring that supply chain management processes are followed
- Oversight responsibility with regards to compliance and financial reporting
- Review of interim/monthly reports and the financial statements prior to submission for audit as material misstatements in account balances, disclosure and transactions were identified during the audit which were subsequently corrected resulting in an unqualified opinion.

Human resource management

45. Human resource planning and organisation

Appointment processes

The verification process for new appointments did not always take place and did not cover reference checks

Policies and procedures

46. The accounting officer did not establish and communicate human resource and supply chain management policies and procedures to enable and support the understanding and execution of internal control objectives and processes.

Action plans to address internal control deficiencies

47. The Municipality developed a plan to address internal and external audit findings, but adherence to the plan is not monitored on a timely basis by the appropriate level of management.

Information technology governance framework

IT governance framework

48. Although an IT Governance Framework had been established, sufficient IT governance processes were not in place to adequately implement and support the framework as deficiencies were noted regarding service level agreements not including sufficient information and not being signed off as well as service levels received from vendors not being formally monitored by the Municipality. Management had not implemented an adequate vendor management framework to ensure that comprehensive and valid SLA's were in place with vendors used by the Municipality and that all vendors were monitored and measured for service delivery standards.

FINANCIAL AND PERFORMANCE MANAGEMENT

Proper record keeping

49. The Accounting officer did not exercise his responsibility as required by the MFMA to ensure that a proper filing system is in place for record keeping of tender files, contracts, declarations are maintained. In addition, controls were not effective to ensure that documents were provided in an efficient and effective manner as per the agreed timeframes with audit.

Daily and monthly processing and reconciling of transactions

50. The Accounting Officer did not implement controls over the daily and monthly processing and reconciling of creditor transactions as monthly creditor reconciliations were not prepared.

Regular, accurate and complete financial and performance reports

51. As indicated in part A of section 2, the financial statements contained numerous misstatements that were corrected. This was mainly due to staff members not fully understanding the requirements of the financial reporting framework.

Compliance monitoring

52. Non-compliance with laws and regulations could have been prevented had compliance been properly reviewed and monitored.

Information technology systems

53. Password configuration settings on the Windows Active Directory were not in line with the IT Security Policy. In addition, password settings for the e-Venus, Payday, Cashfocus and Conlog system were not provided by the Municipality. This was due to management oversight regarding the implementation of the minimum password security standards detailed in the IT Security Policy.
54. System administrator activities for the e-Venus and Payday systems was not reviewed as due to resource limitations in the IT Department reviews required were not performed.
55. No individual had been formally designated to administrator the Payday system, used for Human Resource and Payroll administration at the Municipality. Reliance was placed on the service provider to administer the system as management had not ensured that the service provider transferred system administration knowledge to an employee of the Municipality due to resource limitations in the IT Department.
56. The following deficiencies were noted regarding user access controls at the Municipality:
- No User Account Management Policy had been developed due to management oversight
 - There was no volume based licencing agreement with Microsoft for the Windows operating system in place and as a result licences were purchased on an ad hoc basis whenever a new terminal was acquired. The register to be completed when allocating the license to a terminal was not maintained as due to management oversight no process has been implemented to ensure that Microsoft licences are allocated to the correct devices and users
 - User access rights on the e-Venus, Payday, Cashfocus and Conlog systems were not periodically reviewed due to management oversight.
57. A Business Continuity Plan had not been established and disaster recovery and backup restoration testing had not been performed. In addition, the Backup Policy did not contain sufficient detail to guide employees responsible for the backup process. These deficiencies were due to management oversight and resource limitations in the IT Department.

GOVERNANCE

Risk management activities and risk strategy

58. The risk assessment conducted was not adequate and regularly monitored to address critical matters relating to financial reporting. Consequently a number of deficiencies were identified. These include:
- Material errors in the financial statements due to lack of reviews performed
 - The lack of adequate controls to address key compliance matters impacting the municipality

Internal audit

59. No matters to report

Audit committee

60. Although an audit committee was in place, the financial statements and monthly management information was not adequately reviewed for misstatements, as evident by the errors that arose during the audit process.

SUMMARY

61. The matters above, as they relate to the basis for the unqualified opinion, and findings on non-compliance with legislation, will be summarised in the auditor's report as follows:

Leadership

62. The accounting officer did not exercise adequate oversight over financial reporting and compliance as well as internal control. In this regard, the accounting officer did not regularly assess whether staff members had essential skills and knowledge to support the achievement of credible reporting and comply with designed policies and procedures

Financial and performance management

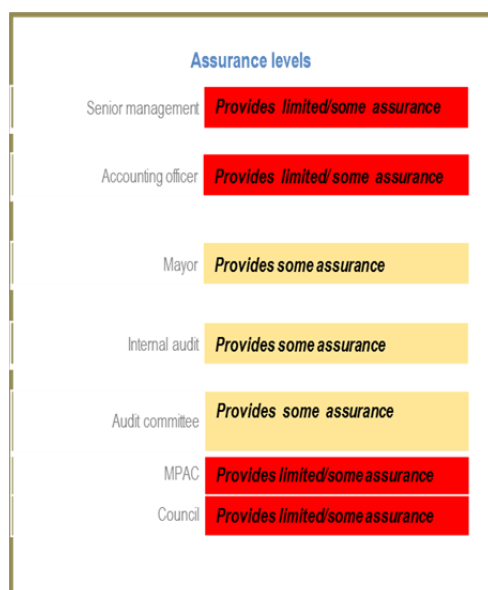
63. Adequate processes were not in place to communicate timely and relevant information to oversight and regulatory parties, in that monthly reporting and reconciliation processes were not at optimum levels. In addition records management and review processes were not designed and implemented in a manner to improve accountability and credibility in financial reporting. This is evidenced by material corrections in the financial statements, as well as lack of records that arose during the audit process.

Governance

64. The audit committee did not promote accountability and service delivery through evaluating and monitoring responses to risks and providing oversight over the effectiveness of the internal control environment including financial and performance reporting and compliance with laws and regulations.

PART F – ASSESSMENT OF ASSURANCE PROVIDERS

65. The annual report is used to report on the financial position of auditees, their performance against predetermined objectives and overall governance, and one of the important oversight functions of legislatures is to consider auditees' annual reports. To perform their oversight function, they need assurance that the information in the annual report is credible. To this end, the annual report also includes our auditor's report, which provides assurance on the credibility of the financial statements and the annual performance report as well as on the auditee's compliance with legislation.
66. Our reporting and the oversight processes reflect on past events, as it takes place after the end of the financial year. However, management, the leadership and those charged with governance contribute throughout the year to the credibility of financial and performance information and compliance with legislation by ensuring that adequate internal controls are implemented.
67. We assess the level of assurance provided by these assurance providers based on the status of internal controls as reported in part E of section 2 and the impact of the different role players on these controls. We provide our assessment for this audit cycle below.



STATUS OF IMPLEMENTATION OF COMMITMENTS AND RECOMMENDATIONS

68. Below is our assessment of the progress in implementing the commitments made by senior management, the accounting officer and the audit committee to address prior and current year audit findings.

No.	Commitment	Made by	Date	Status
1	HR policy will be formulated which sets out ways and means of monitoring and evaluating the performance of all employees	Municipal Manager	September 2014	In progress
2	Compliance checklist will be formulated	Municipal Manager	September 2014	In progress
3	Implementation of action plan covering internal and external audit findings and will be a standing item on Finance Portfolio Committee and MANCO meetings and will be monitored	Municipal Manager	September 2014	In progress
4	IT Governance Framework approved on 26 June 2014, monitoring and implementation will be done	Municipal Manager	September 2014	In progress
5	Proper record keeping will be maintained where by lockable filing cabinets will be allocated to each department and a proper registry be established	Municipal Manager	September 2014	In progress
6	Controls will be implemented over daily and monthly processing and reconciling of transactions. Access to approval of journals and other financial matters assigned to divisional managers and the CFO	Municipal Manager	September 2014	In progress
7	Prepare regular, accurate and complete financial and performance reports supported by reliable evidence information. All divisional managers submitting information for approval to the relevant director will sign a certification that the information submitted is relevant, accurate, complete and reliable	Municipal Manager	September 2014	In progress

8	Compliance checklist will be formulated and implemented and attached to all payment vouchers and ticked by prepare, reviewer and authoriser	Municipal Manager	September 2014	In progress
9	Design and implement formal controls over IT systems. Submission of information will be centralised at municipal managers office and monitored	Municipal Manager	September 2014	In progress

SECTION 3: SPECIFIC FOCUS AREAS

PART A – PROCUREMENT AND CONTRACT MANAGEMENT

SIGNIFICANT FINDINGS FROM THE AUDIT OF PROCUREMENT AND CONTRACT MANAGEMENT

69. The audit included an assessment of procurement processes, contract management and the related controls in place. To ensure a fair, equitable, transparent, competitive and cost-effective SCM system, the processes and controls need to comply with legislation and minimise the likelihood of fraud, corruption, favouritism as well as unfair and irregular practices. A summary of the findings from the audit are as follows:

Irregular expenditure

70. R 30 766 117 of irregular expenditure incurred in the current financial year was as a result of the contravention of SCM legislation. 46% of this irregular expenditure was identified during the audit process and not detected by monitoring processes of the Municipality. The root cause of the lack of effective prevention and detection is due to inadequate monitoring by senior management over SCM processes. SCM policies and procedures were not communicated effectively to enable and support understanding and execution of internal control and compliance objectives.

Awards to persons in the service of the state

71. SCM Regulation 44 prohibits awards to persons or to entities owned/ managed by them if they are in service of the auditee (i.e. employees and councillors) or if they are in service of any other state institution. The audit included the identification of such prohibited awards. Further testing was also performed to determine whether the legislated requirements with regard to declarations of interest were adhered to.

The findings were as follows (Include detail on awards and interests identified as per the table below):

Finding	Number and value of awards made	Number of officials/ councillors	Number of providers	Further non-compliance or irregularities regarding the awards			
				Provider did not submit declarations of interest	Provider did not-declare interest (declaration submitted)	Officials/ councillors did not declare interest	Official/ councillor was involved of in the procurement of the award
Awards to officials of other state institutions	12 awards with total payments amounting to: R 4 892499	12	12	N/A	12		0

Awards to close family members of persons in the service of the state

72. Awards to providers owned/ managed by persons that are close family members of persons in the service of the state, whether at the municipality or any other state institution, are not prohibited. However such awards of more than R2 000 must be disclosed in the financial statements of the municipality for the sake of transparency and as required by SCM Regulation 45. The audit included the identification of awards to close family members. Further testing was also performed to determine whether the financial statement disclosure was made and the legislated requirements with regards to declarations of interest were adhered to.

The findings were as follows:

- Close family members of 1 official has an interest in an award made to the value of R 532 000.
- The award was disclosed in the financial statements.
- The providers submitted the declaration but did not declare the interest.

Procurement processes

73. The following findings on procurement processes result from the testing of 27 contracts with a total value of R 120 036 979 and 30 price quotations with a total value of R 1 206 992.

Procurement process – Quotations

- 3 awards to the total value of R 258 258 were procured without inviting at least three written price quotations from prospective suppliers and the deviation was not approved by a properly delegated official.

Procurement process - Competitive bidding

- Sufficient appropriate evidence could not be obtained that the preference point system was applied in the procurement of 8 competitive bids to the total value of R 13 151 591.
- Sufficient appropriate evidence could not be obtained that public invitations for 9 competitive bids to the value of R 14 141 226 were advertised for at least the required 14/21/30 days.

PART B – SERVICE DELIVERY MATTERS**Roads infrastructure**

74. No material findings.

Conditional grants

75. The Division of Revenue Act, 2013 (Act No.2 of 2013) (DoRA) provides for the equitable division of revenue raised nationally among the national, provincial and local spheres of government for the 2013/14 financial year and the responsibilities of all three spheres. A conditional allocation means a conditional allocation to a province or municipality from the national government's share of revenue raised nationally. The framework defines requirement that both the transferring and receiving department should comply with. The frameworks for 2013/14 were published in Government Gazette 36581 dated 24 June 2013. Testing the utilisation of the conditional allocations was focused on specifically identified key projects funded by these allocations and whether the grants used complied with the requirements of the DoRA framework.

76. For the financial year under review, we focused on the following grants:

- Municipal Infrastructure Grant (MIG)
- Municipal Systems Improvement Grant (MSIG)
- Local Government Financial Management Grant (FMG)

77. Summary of allocations and spending

	MIG	MSIG	FMG
Total available to spend	R27 08 1000	R 895631	R 1 850 355
Total amount utilised/ spent in current financial year	R 25 848 676	R 895631	R1 817 115
Unspent allocation	R 1 232 324	R 0 0	R33 240
Percentage of under/(over)spending	0.05%	0%	0.02%

No significant findings were identified.

78. Municipal infrastructure grant

Key project(s) selected	Roads	Buildings
MIG outputs linked to selected key project	Rehabilitation of gravel roads of about 15 kms	Construction of two new Community Services Centres(CSCs) and completion of other two CSCs
Total project budget (from initiation to completion)	R18 922 585	R8 158 415
Actual amount spent on the project - current year	R19 607 914.34	R6 240 762.98
Total amount spent from initiation to date	R19 607 914.34	R6 240 762.98
Planned completion date	30 June 2014	30 June 2014
Project status as at year end	Two roads are still in progress	Two CSCs are still in progress

79. Municipal systems improvement grant

Key MSIG priorities output selected	Information systems that support effective service delivery
Amount allocated per selected priority output	R895 631
Actual amount spent per selected priority output	R895 631
Key planned target for the current year	Information systems that support effective service delivery

80. Financial management grant

Key FMG priorities output selected	Improvement of financial department
Amount allocated per selected priority output	R 1850 355
Actual amount spent per selected priority output	R1 817 115
Key planned target for the current year	Improving financial department

PART C – FINANCIAL INDICATORS

- 81.** Management is responsible for the sound and sustainable management of the affairs of the municipality and for implementing an efficient, effective and transparent financial management system for this purpose, as regulated by the MFMA.
- 82.** Our audit included a high-level assessment of selected financial indicators as at year-end. The purpose of the assessment is to provide management with an overview of financial indicators to enable timely corrective action where financial health and service delivery may be at risk. The information should be used to complement, rather than substitute, management's own financial assessment.
- 83.** We assessed the Municipality's financial indicators according to the following areas:
- Budget management
 - Expenditure management
 - Revenue management
 - Asset and liability management
 - Cash management
 - Grant management
- 84.** We show our assessment of the financial indicators in the table below and give high-level comments on the risks posed by the assessment of the financial indicators.

MFMA: Financial indicator assessment table¹

FINANCIAL INDICATORS			
(Limitation = unable to obtain sufficient appropriate information)		AS AT 30 JUNE 2014	AS AT 30 JUNE 201(X-1)
BUDGET MANAGEMENT			
1.1	Percentage over-spending of the final approved operating expenditure budget	Not over-spent	Not over-spent
1.2	Percentage under-spending of the final approved capital budget	Not under spent	42%
EXPENDITURE MANAGEMENT			
2.1	Creditor-payment period ²	110.9 days	115 days
REVENUE MANAGEMENT			
3.1	Debtor-collection period (before impairment)	440.7 days	194 days
3.2	Debtor-collection period (after impairment)	224.9 days	133 days
3.3	Debtors impairment provision as a percentage of accounts receivable	49%	31%
3.4	Debtors impairment provision as a percentage of revenue from goods and services rendered on credit	59.1%	17%

FINANCIAL INDICATORS			
(Limitation = unable to obtain sufficient appropriate information)		AS AT 30 JUNE 2014	AS AT 30 JUNE 201(X-1)
3.5	Percentage water losses incurred	Not applicable	Not applicable
3.6	Percentage electricity losses incurred	15%	18%
ASSET AND LIABILITY MANAGEMENT			
4.1	A deficit for the year was realised (total expenditure exceeded total revenue)	No	No
4.2	A net current liability position was realised (total current liabilities exceeded total current assets)	No	No
4.3	A net liability position was realised (total liabilities exceeded total assets)	No	No
4.4	Percentage of PPE and/or intangible assets impaired	Not applicable	Not applicable
4.5	Percentage of loan receivables (loans awarded) and/or investments impaired	Not applicable	Not applicable
CASH MANAGEMENT			
5.1	The year-end bank balance was in overdraft	No	No
5.2	Net cash flows for the year from operating activities were negative	No	No
5.3	Cash and cash equivalents as a percentage of operating expenditure	1.4%	72%
5.4	Creditors as a percentage of cash and cash equivalents	927.1%	70%
5.5	Current liabilities as a percentage of net cash inflows for the year from operating activities	-328.6%	-104%
5.6	Non-current liabilities (long-term debt) as a percentage of net cash inflows for the year from operating activities	-79%	-10%
5.7	Employee benefit obligation as a percentage of net cash inflows for the year from operating activities	Not applicable	Not applicable
GRANT MANAGEMENT			
6.1	Percentage under-spending of conditional grants received for the year	Not under-spent	Not under-spent
6.2	Percentage by which unspent conditional grants received exceeded cash available at year-end	Not under-spent	Not under-spent
OVERALL ASSESSMENT			
Overall the results of the above financial indicator evaluation is assessed as:		Yellow (Unfavourable indicators)	Yellow (Unfavourable indicators)
The above assessment is based on financial statement amounts, adjusted for uncorrected misstatements that resulted in the modification of the audit opinion.			

85. Based on the above analysis performed, the following areas of concern has been noted:

- Significant under spending of the capital budget is a definitive indicator of poor service delivery and a contributor to the non-achievement of performance targets as laid out in the annual performance report. Inadequate expenditure planning, management and

budgeting have led to the deficiencies in the execution of capital projects during the financial year, which ultimately result in adequate service delivery

- The creditor payment period is 110.9 days which is outside the public sector norm and MFMA requirement of 30 days from date of invoice. Non-payment of suppliers in a timely manner will result in these suppliers not wishing to contract with the municipality in the future.
- Debtor management appears to be inadequate and deteriorating. The current debtor collection period of 440.7 days equates to more than a year's revenue that remains outstanding. This implies that the collection of debtors is not effective. While debtors are being provided for, debtors have not been physically written off the system resulting in a distorted view of accounts receivables
- Cash management appears to be ineffective. The diminished cash resources is concerning as the municipality is currently not in a position to adequately settle its immediate obligations.

PART D – CONSULTANTS

86. The audit included an assessment of the use of consultants. In the public sector environment, the partnership between the private and public sector has become important in driving strategic goals.

The table below shows the extent and nature of the municipality's use of consultants:

Type of consultancy services	Number of consultants	Actual expenditure		
		Current year – incurred before year-end	Incurred after year end on [financial reporting and/ or preparation of performance information] for current year	Prior year
Financial reporting services	1	R 1 697 351	R 79 486	R 1 283 936
Preparation of performance information	0	Nil	Nil	Nil
IT related services	1	R 2 521 964		R 1 546 410
Other consultancy services		R 2 088 978		R 1 313 056

PART E – FRAUD

87. The primary responsibility for the prevention and detection of fraud rests with management and those charged with governance. We are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. Due to the inherent limitations of an audit, there is a risk that some material misstatements, including fraud, may not be detected.

SECTION 4: EMERGING RISKS**New standards of GRAP effective from 1 July 2015**

88. The minister of finance recently announced the effective dates of additional standards of Generally Recognised Accounting Practice (GRAP) for financial years commencing on or after 1 April 2015 (See Government Gazette No. 37820 published on 10 July 2014). The intention of this effective date means that these standards will only become effective financial years commencing on or after this date i.e. 1 July 2015

- GRAP 105 Transfer of Functions between entities under common control
- GRAP 106 Transfer of Functions between entities not under common control

Corporate governance of information and communication technology policy framework

The Department of Public Service and Administration (DPSA), in cooperation with the Government Information Technology Officer Council (GITO), developed the corporate governance of information and communication technology policy framework (CGICTPF), which is applicable to all spheres of government, organs of state and public enterprises. Parliament approved the CGICTPF for implementation on 21 November 2012.

The CGICTPF provides the political and executive leadership with a set of principles and practices that must be complied with, together with a phased implementation approach to be followed for corporate governance of information and communication technology (ICT). Each phase extends over a financial year and for each a number of implementation deliverables have been set.

The phase 1 deliverables (establish the corporate governance of ICT and the governance of ICT environments), should have been completed by 31 March 2014. The phase 1 deliverables will be audited in the 2014-15 financial year.

The implementation deliverables for phase 2, which have to be completed by March 2015, should also receive attention. This phase is about strategic alignment between business and ICT. Several frameworks are already in place to guide the implementation of phase 2 requirements. For example:

- National Treasury's Framework for Strategic Plans and Annual Performance Plans
- The DPSA's Service Delivery Framework and Methodology
- Government-wide enterprise architecture

Phase 3 will run from April 2015 onwards and will focus on the continuous improvement of corporate governance of ICT and the governance of the ICT environment. The governing principles for this phase will be:

- the contribution of ICT to the realisation of business value
- continuous improvement of the management of ICT – COBIT processes.

Subsequent events

89. No matters to report

SECTION 5: ENTITIES CONTROLLED BY THE MUNICIPALITY

90. No entities are under the control of Nkandla Municipality.

SECTION 6: RATINGS OF DETAILED AUDIT FINDINGS

91. For the purposes of this report, the detailed audit findings included in annexures A to C have been classified as follows:

- Matters to be included in the auditor's report: These matters should be addressed as a matter of urgency.
- Other important matters: These matters should be addressed to prevent them from leading to material misstatements of the financial statements or material findings on the performance report and non-compliance with legislation in future.
- Administrative matters: These matters are unlikely to result in material misstatements of the financial statements or material findings on the performance report and non-compliance with legislation.

SECTION 7: CONCLUSION

92. The matters communicated throughout this report relate to the three fundamentals of internal control that should be addressed to achieve sustained clean administration. Our staff remain committed to assisting in identifying and communicating good practices to improve governance and accountability and to build public confidence in government's ability to account for public resources in a transparent manner.

Yours faithfully

Jabulani Nkosi
Senior Manager: KZN8

24 November 2014

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Distribution:

Municipal Manager
CFO
Audit committee
Head of internal audit unit

SECTION 8: SUMMARY OF DETAILED AUDIT FINDINGS

Page no.	Finding	Classification					Rating			Number of times reported in previous two years	Status of implementation of previous year(s) recommendation
		Misstatements in financial statements	Misstatements in annual performance report	Non-compliance with legislation	Internal control deficiency	Service delivery	Matters affecting the auditor's report	Other important matters	Administrative matters		
	Payables										
51	Creditors reconciliation not performed				✓			✓		1	Not addressed
	Revenue and receivables										
50	Inadequate revenue collection system				✓			✓		-	-
	Employee costs										
53	Shortcomings on employee files				✓			✓		1	Not addressed
56	Incorrect termination notice period			✓				✓		-	-
58	Human resource management deficiencies			✓				✓		-	-
	Procurement and contract management										
27	No declaration of interests from winning providers			✓			✓			2	Not addressed
29	No evidence of public invitation for competitive bidding			✓			✓			2	Not addressed
31	No evidence that bid specification process was conducted			✓			✓			2	Not addressed
33	No evidence that bid evaluation were conducted			✓			✓			2	Not addressed
36	No evidence that adjudication process was conducted			✓			✓			2	Not addressed
38	Three quotations not obtained			✓			✓			2	Not addressed
	Non declaration of interests by suppliers in the service of the state			✓			✓			-	-
44	Suppliers not on municipality database			✓			✓			1	Not addressed
42	Lack of bid documentation for transactions greater than R 10 million			✓			✓			-	-

Page no.	Finding	Classification					Rating			Number of times reported in previous two years	Status of implementation of previous year(s) recommendation
		Misstatements in financial statements	Misstatements in annual performance report	Non-compliance with legislation	Internal control deficiency	Service delivery	Matters affecting the auditor's report	Other important matters	Administrative matters		
	Non compliance										
40	Invoices not paid within 30 days			✓			✓	✓		-	-
48	Deficiencies in the IDP, budget and reporting process			✓				✓		2	Not addressed
60-77	IT Systems				✓			✓			

DETAILED AUDIT FINDINGS

ANNEXURE A: MATTERS AFFECTING THE AUDITOR'S REPORT

1. No declaration of interest from winning providers

Audit finding

In terms of section 13(c) of the supply chain management regulation (SCM) the winning provider must submit a declaration of interest noting the following:

- i. whether he or she is in the services of the state, or has been in the services of the state in the previous twelve months;
- ii. if the provider is not a natural person, whether any of its directors, manager, principal shareholders or stakeholders is in the service of the state, or has been in the service of the state in the state in the previous twelve months; or
- iii. Whether a spouse, child or parent of the provider or of a director, manager, shareholder or stakeholder referred to in the service of the state in the previous twelve months.

Contrary to these requirements, no evidence was obtained to confirm that declarations of interests were submitted by the following winning supplier/bidders.

#	Supplier	Amount R
1	Tihli Trading Enterprise	45 172.78
2	Zululand Hiring Services	24 999.99
3	Boulevard 44 Boutique Hotel	93 050.00
4	Infinity Alliance Project managers	401 104.73
		564 327.50

This results in non-compliance with the SCM regulations and constitutes irregular expenditure. Conflict of interests may exist which could implicate possible fraudulent activities.

Internal control deficiency

The SCM unit did not exercise oversight responsibility regarding compliance and related internal control.

Recommendation

- The Municipality must follow up and ensure that all outstanding evidence is presented to the auditors for review and testing purposes.
- Lack of supporting evidence will constitute irregular spending and disclosure to that effect must be made in the annual financial statements.
- All irregular expenditure must be subjected to the processes outlined in section 32 of the Municipal Finance Management Act.
- The accounting officer is required to take decisive actions to ensure that the municipality's SCM process and records management gets the required attention.

Management response

Agree, this has been included in the disclosed Irregular Expenditure.

Name: Philani Sibiyi
Position: CFO
Date: 07 November 2014

Auditor's conclusion

Management response noted, however the irregular expenditure will be reported in the audit report and non-compliance in terms of section 13(c) of the SCM regulations.

2. No evidence of public invitation for competitive bidding

Audit finding

In terms of section 19(a) of the SCM regulations, goods or services above a transaction value of R200000 (Vat included) and long term contracts may only be procured through a competitive bidding process

Section 22(1)(a) further states that any invitation to prospective bidders to submit bids must be by means of public advertisement in newspapers commonly circulated locally, the website of the municipality or any other appropriate ways (which may include an advertisement in the Government Tender Bulletin)

Section 36 of the SCM regulations states that an accounting officer may:

- a) Dispense with the official procurement process established by the policy and to procure any required goods or services through any convenient process, which may include direct negotiations, but only –
 - i. In an emergency
 - ii. If such goods or services are produced or available from a single provider only
 - iii. For the acquisition of special works of art or historical objects where specifications are difficult to compile;
 - iv. Acquisition of animal or zoos or
 - v. In any other exceptional case where it is impractical or impossible to follow the official procurement processes
- b) To ratify any minor breaches of the procurement processes by an official or committee acting in terms of delegated powers or duties which are purely of a technical nature

(2) The accounting officer must record the reasons for any deviations and report them to the next meeting of the council and include as notes to the annual financial statements

During the audit of the Supply Chain Management, it was noted that there is no evidence to indicate that the following selected sample of awards were publically advertised i.e. no advertisements in tender files:

No	Supplier Name	Current year payments R
1.	SizweNstalubaGobodo Inc.	591949.56
2.	Infinity Alliance Project managers	401104.73
3.	Daily Double Trading	989635.74
Total		1 982 690.02

Lack of public invitation is indicative of limited competition and could constitute irregular expenditure

Internal control deficiency

The accounting officer did not exercise his responsibility in ensuring that SCM processes are followed.

Recommendation

- The Municipality must follow up and ensure that all outstanding evidence is presented to the auditors for review and testing purposes.
- Lack of supporting evidence will constitute irregular spending and disclosure to that effect must be made in the annual financial statements.
- All irregular expenditure must be subjected to the processes outlined in section 32 of the Municipal Finance Management Act.

-
- The accounting officer is required to take decisive actions to ensure that the municipality's SCM process and records management gets the required attention.

Management response

- SizweNtsalubaGobodo Inc. , Infinity Alliance Project Managers , Daily Double Trading will be disclosed as part of Irregular expenditure in line with Section 32 of the MFMA Act 56 of 2003

Name: Philani Sibiyi

Position: CFO

Date: 07 November 2014

Auditor's conclusion

Management response is noted, however the irregular expenditure will be reported in the audit report and non-compliance with Section 22(1)(a) of the SCM regulation.

3. No evidence that bid specification process was conducted

Audit finding

In terms of section 27 of SCM regulation, Bid specification committees -

(1) A bid specification committee must compile the specifications for each procurement of goods or services by the municipality.

(2) Specifications -

- a) must be drafted in an unbiased manner to allow all potential suppliers to offer their goods or services;
- b) must take account of any accepted standards such as those issued by Standards South Africa, the International Standards Organisation, or and authority accredited or recognised by the South African National Accreditation System with which the equipment or material or workmanship should comply;
- c) must, where possible, be described in terms of performance required rather than in terms of descriptive characteristics for design;
- d) may not create trade barriers in contract requirements in the forms of specifications, plans drawings, designs, testing and test methods, packaging, marking or labelling of conformity certification;
- e) may not make reference to any particular trade mark, name, patent, design, type, specific origin, or producer unless there is no other sufficiently precise or intelligible way of describing the characteristics of the work, in which case such reference must be accompanied by the word equivalent;
- f) Must indicate each specific goal for which points may be awarded in terms of the points system set out in the Preferential Procurement Regulations 2001; and
- g) must be approved by the accounting officer prior to publication of the invitation for bids in terms of paragraph 22 of this Policy.

(3) A bid specification committee must be composed of:

- a) two officials of the municipality who must serve as standing members; one from the SCM Unit and the other one from Technical services both have a right to chair the committee.
- b) an official to be co-opted from the user department preferably a manager and a knowledgeable official responsible for the function involved;
- c) co - opted external specialised expert.
- d) must be appointed in writing for a period of 12 months which is in line with the financial year end of the municipality, subject to the annual reviewal if this policy;
- e) the quorum must be equal 50% of the number of permanent (as opposed to co-opted) committee members, plus one member.

- (4) No person, advisor or corporate entity involved with bid specification committee, or director of such corporate entity, may bid for any resulting contracts.

During the audit of Supply Chain Management, no evidence was obtained to indicate that the bid specification process was conducted by the Municipality i.e. minutes of meetings have not been submitted to the auditors therefore no assurance could be obtained to confirm that the Municipality complied with the regulations set out above. Details of these awards based on a selected sample are as follows:

No.	Supplier Name	Current year payment R
1.	A1 Electrical	664084.66
2.	Red Spike Security	1 844814.82
3.	TPL Mkhize Civils Construction and trading	467963.56
4.	Ntshidi& Associates	917252.00
5.	Daily Double Trading315	989635.74
6.	Infinity Alliance Project managers	401104.73
Total		5 284 855.51

This results in non-compliance of SCM regulations and constitutes irregular expenditure.

Internal control deficiency

The accounting officer did not exercise his responsibility as required by the MFMA to ensure that full and proper record keeping of tender files and contract files are maintained. In addition, controls were not effective to ensure that documents were provided in an efficient and effective manner as per the agreed timeframes with audit.

Recommendation

- The Municipality must follow up and ensure that all outstanding evidence is presented to the auditors for review and testing purposes.
- Lack of supporting evidence will constitute irregular spending and disclosure to that effect must be made in the annual financial statements.
- All irregular expenditure must be subjected to the processes outlined in section 32 of the Municipal Finance Management Act.
- The accounting officer is required to take decisive actions to ensure that the municipality's SCM process and records management gets the required attention.

Management response

- Red spike; Ntsidi& Associates; SizweNstalubaGobodoInc; Daily Double Trading 315 and Infinity Alliance Project Managers have been adjusted to the Irregular Expenditure in line with Section 32 of the MFMA Act 56 of 2003.

Name: Philani Sibiya
Position: CFO

Date: 07 November 2014

Auditor's conclusion

Management's response noted, however the irregular expenditure will be reported in the audit report and non-compliance with section 27 of SCM regulation.

4. No evidence that bid evaluations were conducted

Audit finding

In terms of section 28 of the SCM regulation -

(1) A bid evaluation committee must -

- a) evaluate bids in accordance with -
 - i. the specifications for a specific procurement; and
 - ii. the points system set out in terms of paragraph 27(2)(f)
- b) Evaluate each bidders ability to execute the contract
- c) Check in respect of the recommended bidder whether municipal rates and taxes and municipal services charges are not in arrears, and
- d) Submit to the adjudication committee a report and recommendations regarding the award of the bid or other related matter.

(2) A bid evaluation committee must as far as possible be composed of

- a) Two officials of the municipality who must serve as standing members; one from the SCM Unit and the other from Technical services both have a right to Chair the committee.
- b) an official to be co-opted from all departments preferably a manager and a knowledgeable official responsible for the function involved;
- c) co-opted external specialised expert;
- d) must be appointed for a period of months which is in line with the financial year end of the municipality, subject to the annual review of this policy
- e) the quorum must be equal to 50% of the number of permanent (opposed to co-opted) committee members, plus one member.

As per PPR 4(4) -

Only tenders which achieved the minimum qualifying score for functionality as indicated in the tender invitation were regarded as acceptable tenders and evaluated further in terms of the preference points.

As per PPR 4(5) -

All tenders which achieved the minimum qualifying score for functionality were regarded as acceptable tenders and were evaluated further in terms of the preference points.

As per PPR 6(2) & PP10 -

No points were awarded for B-BBEE status level if the bidder did not submit original and valid B-BBEE Status Level Verification Certificates or certified copies thereof.

Note: Bidders with annual total revenue of more than R5 million must submit certificates issued by Verification Agencies accredited by SANAS or Registered Auditors approved by IRBA. Bidders with annual total revenue of R5 million or less may submit certificates issued by Accounting Officers, if the bidder is a CC or Registered Auditors (No need for IRBA approval).

As per PPR 11(8) -

No points were awarded for B-BBEE status level if it is indicated in the tender documents that the bidder intends sub-contracting more than 25% of the value of the contract to any other enterprise that does not

qualify for at least the points that such a bidder qualifies for, unless the intended subcontractor is an exempted micro enterprise that has the capability and ability to execute the sub-contract.

As per PPR 6(1) -

The preference points awarded for price were correctly calculated based on the following:
i) If different prices were tendered for different periods of contract only the price which meet the definition of "firm price" was regarded as the price.

Note: "Firm price" means the price that is only subject to adjustments in accordance with the actual increase or decrease resulting from the Change, imposition, or abolition of customs or excise duty and any other duty, levy, or tax, which, in terms of the law or regulation, is binding on the contractor and demonstrably has an influence on the price of any supplies, or the rendering costs of any service, for the execution of the contract.

As per PPPFA Section 2(1)(f) -

If the provider scoring the highest points was not selected, objective criteria was used to justify that reasonable grounds exist not to select the tender with the highest points.

During the audit of Supply Chain Management, no evidence was obtained to indicate that the bid evaluation process was conducted by the Municipality i.e. minutes of meetings have not been submitted to the auditors therefore no assurance could be obtained to confirm that the Municipality complied with the regulations set out above. Details of these awards based on a selected sample are as follows:

No.	Supplier Name	Current year payment R
1.	A1 Electrical	664084.66
2.	Red Spike Security	1 844814.82
3.	Veez Micro Enterprises	6 589296.67
4.	Ntshidi& Associates	917252.00
5.	SizweNstalubaGobodo Inc.	591949.56
6.	Infinity Alliance Project managers	401104.73
Total		11 008 502.44

This results in non-compliance of SCM regulations and constitutes irregular expenditure.

Internal control deficiency

The accounting officer did not exercise his responsibility as required by the MFMA to ensure that full and proper record keeping of tender files and contract files are maintained. In addition, controls were not effective to ensure that documents were provided in an efficient and effective manner as per the agreed timeframes with audit.

Recommendation

- The Municipality must follow up and ensure that all outstanding evidence is presented to the auditors for review and testing purposes.
- Lack of supporting evidence will constitute irregular spending and disclosure to that effect must be made in the annual financial statements.
- All irregular expenditure must be subjected to the processes outlined in section 32 of the Municipal Finance Management Act.
- The accounting officer is required to take decisive actions to ensure that the municipality's SCM process and records management gets the required attention.

Management response

The finding has been adjusted for in disclosure of Irregular expenditure within section 32 of the MFMA.

Name: Philani Sibiya

Position: CFO

Date: 07 November 2014

Auditor's conclusion

Management's response noted, however the irregular expenditure will be reported in the audit report and non-compliance with Section 28 of the SCM regulation.

5. No evidence that bid adjudication process was conducted

Audit finding

In terms of section 29 of the SCM regulation -

(1) A bid adjudication committee must -

(a) consider the report and recommendations of the the evaluation committee; and

(b) either -

(i) depending on its delegations, make a final award or a recommendation to the municipal manager to make the final award;

or make another recommendation to the municipal manager how to proceed with the relevant procurement.

(2) A bid adjudication committee must consist of at least four senior managers of the municipality which must include -

a) CFO

b) Director : Corporate Services

c) Director : Technical Services

d) Director : Community Services

e) Any senior manager specialised from any department

f) co-opted external specialised expert

g) the quorum must be equal to 50% of the number, plus one member.

(4) Neither a member of a bid evaluation committee, nor an advisor or person assisting the evaluation committee, be a member of a bid adjudication committee.

In terms of section 112 of the Municipal Finance Management Act - fairness

Bids were only disqualified in accordance with pre-determined requirements as stipulated in the bid invitation/ bid documents.

During the audit of SCM, no evidence was provided to indicate that the bid adjudication process was carried out in respect of the following winning bids i.e. minutes of meetings were not submitted for audit purposes therefore no assurance was obtained to confirm that the municipality adhered to the requirements set out under the SCM regulations.

No.	Supplier Name	Payments for the current period R
1	Red Spike Security	1844814.82
2	Isaluleko Project	1 073292.44
3	MFS Consulting CA	539584.8
4	Ntshidi& Associates	917252.00
5	SizweNstalubaGobodo Inc.	591949.56
6	Infinity Alliance Project managers	401104.73
Total		5 367 998.35

This results in non-compliance with the SCM regulations and constitutes irregular expenditure. There is also a risk that unauthorised awards are being made by the Municipality.

Internal control deficiency

The accounting officer did not exercise his responsibility as required by the MFMA to ensure that full and proper record keeping of tender files and contract files are maintained. In addition, controls were not effective to ensure that documents were provided in an efficient and effective manner as per the agreed timeframes with audit.

Recommendation

- The Municipality must follow up and ensure that all outstanding evidence is presented to the auditors for review and testing purposes.
- Lack of supporting evidence will constitute irregular spending and disclosure to that effect must be made in the annual financial statements.
- All irregular expenditure must be subjected to the processes outlined in section 32 of the Municipal Finance Management Act.
- The accounting officer is required to take decisive actions to ensure that the municipality's SCM process and records management gets the required attention.

Management response

The adjustment for irregular expenditure disclosure has been done in the AFS in line with section 32 of the MFMA.

Name: Philani Sibiya
Position: CFO
Date: 07 November 2014

Auditor's conclusion

Management's response noted, however the irregular expenditure will be reported in the audit report and non-compliance with Section 29 of the SCM regulation.

6. Three(3) Quotations not obtained

Audit finding

In terms of Section 17 of the Supply Chain Management regulations

(1) The conditions for the procurement of the goods or services through formal written price quotations are as follows:

- a) quotations above must be obtained in writing from at least three different providers whose names appear on the list of accredited prospective providers of the municipality;
- b) quotations may be obtained from providers who are not listed, provided that such providers meet the listing criteria set out in paragraph 14(1)(b) and (c) of this Policy;
- c) if it is not possible to obtain at least three quotations, the reason must be recorded and approved by the chief financial officer or an official designated by the chief financial officer,
- d) the accounting officer or a person delegated by the accounting officer in terms of Regulation 4 and 5 must record the names of the potential providers and their written quotations, and

(2) A designated official referred to in subparagraph (1) (c) must within three days of the end of each month report to the chief financial officer (finance portfolio committee) on any approvals given during that month by that official in terms of the subparagraph.

In terms of Section 36 of the Supply Chain Management -

- (1) The accounting officer may -
- (a) dispense with the official procurement processes established by this Policy and to procure any required goods or services through any convenient process, which may include direct negotiations, but only -
 - (i) in an emergency;
 - (ii) if such goods or services are produced or available from a single provider only;
 - (iii) for the acquisition of special works of art or historical objects where specifications are difficult to compile;
 - (iv) acquisition of animals for zoos and/or nature and game reserves; or
 - (v) in any other exceptional case where it is impractical or impossible to follow the official procurement processes; and
 - (b) ratify any minor breaches of the procurement processes by an official or committee acting in terms of delegated powers or duties which are purely of a technical nature.
- (2) The accounting officer must record the reasons for any deviations in terms of subparagraphs (1)(a) and (b) of this policy and report them to the next meeting of the council and include as a note to the annual financial statements.
- (3) Subparagraph (2) does not apply to the procurement of goods and services contemplated in paragraph 11(2) of the policy.

During the audit of SCM, it was noted that 3 written quotations were not obtained from suppliers of a selected sample of purchases. Furthermore, there was no evidence to indicate that these deviations together with reasons thereof were recorded and approved by the CFO, reported at the next council meeting and disclosed in the notes of the annual financial statements. The details of these purchases are as follows:

DATE	EFT/CHQ NO	PAYEE	DESCRIPTION	VOTE NO.	AMOUNT R
15/09/2013	CF 490913	INDWE RISKS SERVICES	INSURANCE	112000 110 1259	139 675.00
30/09/2013	CF 2000913	RAINBOW TEAM SOLUTIONS	SPORTS&CREATION	114000 109 1243	69 511.10
15/07/2013	CF 050713	TIHLI TRADING ENTERPRISE	HIV/AIDS	114000 109 1244	45 172.78
					<u>258358.88</u>

This results in non-compliance of SCM regulations and a misstatement in the annual financial statements

Internal control deficiency

The municipality did not exercise oversight responsibility with regards to compliance and financial reporting.

Recommendation

- The expenditure must be disclosed in the annual financial statements as irregular expenditure.
- Irregular spending disclosed in the AFS must be subject to the processes outlined in section 32 of the Municipal Finance Management Act.

Management response

Disclosure for irregular expenditure has been adjusted in the AFS in line with section 32 of the MFMA.

Name: Philani Sibiya
Position: CFO
Date: 07 November 2014

Auditor's conclusion

Management's response is noted, however the irregular expenditure will be reported in the audit report and non-compliance with Section 17 of SCM regulation.

Non - Compliance

7. Invoices not paid within 30 days

Audit finding

In terms of S65(2)(e) of the Municipal Finance Management Act (MFMA), the accounting officer is responsible for the management of expenditure of the Municipality and must for this purpose take all reasonable steps to ensure that money owing by the municipality be paid within 30 days of receiving the relevant invoice or statement.

During the audit of payables, it was noted that the following creditor invoices were long outstanding and not paid within the prescribed period of 30 days stipulated in the MFMA.

NO.	DATE	CREDITOR	AMOUNT R	DESCRIPTION
1	30/04/2014	Travel With Flair	11 940.71	Travel & Accommodation
2	21/01/2014	Ulungeni Consulting	17 371.53	Professional Fees
3	20/02/2014	Ulungeni Consulting	26 020.04	Professional Fees
4	21/05/2013	Ulungeni Consulting	24 876.44	Professional Fees
5	06/01/2014	Ulungeni Consulting	35 563.21	Professional Fees
6	31/01/2014	Sizwe Ntsaluba Gobodo	148 537.44	Internal Audit Fees
7	17/04/2014	Konica Minolta	11 674.18	Copies
8	18/02/2014	Travel With Flair	29 221.15	Travel & Accommodation
9	31/05/2014	Travel With Flair	26 127.60	Travel & Accommodation
10	30/04/2014	Triple Desire t/a Indlovukazi	17 500.00	Food Packs
11	06/05/2014	Travel With Flair	18 267.60	Travel & Accommodation
12	31/03/2014	Travel With Flair	11 196.00	Travel & Accommodation
13	24/04/2014	Kansukuzonke LS Contractors	16 650.00	Catering
14	16/04/2014	Travel With Flair	17 235.60	Travel & Accommodation

412 181.50

Late payment to suppliers could lead to possible interest and penalties, which results in a financial loss to the Municipality.

Internal control deficiency

The accounting officer failed to monitor invoices and statements to ensure that payment is made within 30 days as prescribed by the MFMA.

Recommendation

The Municipality must develop and implement controls to ensure that all invoices are paid within 30 days of receipt:

- Supplier reconciliations must be performed on a monthly basis
- A creditors age analysis must be generated and reviewed on a regular basis to identify long outstanding suppliers

Management response

Agree, the “received” date stamp has already been introduced as a control on receipts of invoices in the current financial year (2014/15).

Name: Philani Sibiya
Position: CFO
Date: 06 November 2014

Auditor’s conclusion

Management response has been noted, however the finding will be reported in the audit report as non-compliance with Section 65(2)(e) of the Municipal Finance Management Act (MFMA).

8. Lack of bid documentation for transactions greater than R 10 million

Audit finding

In terms of section 21 of the SCM regulations

- (d) if the value of the transaction is expected to exceed R10 million (VAT included), bidders are required to furnish the following
- (i) if the bidder is required by law to prepare annual financial statements for auditing, their audited annual financial statements -
- (aa) for the past three years; or
- (bb) since their establishment if established during the past three years;
- (ii) a certificate signed by the bidder certifying that the bidder has no undisputed commitments for municipal services towards a municipality or other service provider in respect of which payment is overdue for more than 30 days;
- (iii) particulars of any contracts awards to the bidder by an organ of state during the five years, including particulars of any material non-compliance or dispute concerning the execution of such contract;

Contrary to these requirements, there was no evidence to indicate that the following winning providers of projects in excess of R10 million furnished the necessary documents as prescribed by section 21 of the SCM Regulations:

No	Supplier Name	Project	Project Amount R
1.	A1 Electrical	Ekhombe Electrification	13 284328.00
2.	VeezMicor Enterprises	Mfongosi Electrification	29 286121.66
3.	Pure Magic Trading 22 cc	Sakhile Access Road	13 950054.03
4.	Omphile Electrical and Cosntructions	Mandaba Electrification	17 856740.72
Total			74 377244.41

This results in non-compliance with the SCM regulations. Deficiencies in bid documentation could open up the Municipality to possible litigation and losses, especially with regards to supplier non- performance.

Internal control deficiency

The SCM unit did not establish and communicate policies and procedures to enable and support understanding and execution of internal control objectives and processes.

Recommendation

- The accounting officer and SCM unit need to implement and monitor mechanisms to enforce strict adherence to the SCM Regulations.

Management response

Agreed and the irregular expenditure disclosure has been adjusted.

Name: Philani Sibiya
Position: CFO
Date: 07 November 2014

Auditor's conclusion

Management's response noted, however the irregular expenditure will be reported in the audit report and non-compliance with Section 21 of the SCM regulation.

ANNEXURE B: OTHER IMPORTANT MATTERS

Procurement and Contract Management

9. No declaration of interests by suppliers in the service of the state

Audit finding

Section 44 of the SCM regulations states that the municipality may not make any award to a person who is in the service of the state.

In terms of Practice Note 7 of 2009/10, a bidder must declare whether:

- a) the bidder is employed by the state and/or; and
- b) the bidder has any relationship (family, friend, other) with a person employed by the state and who may be involved with the evaluation and or adjudication of the bid.

Below are details of suppliers to whom awards were made by the municipality who failed to disclose that a director/ member/ principal shareholder/ stakeholder is in the service of the state:

Name	State Institution employed	Membership Type	Supplier	Payments made during the year R
JHP VAN HEERDEN	North West University	Director	AFRIMAT CONCRETE PRODUCTS	113 062.20
T MOKGOKONG	State Information Technology Agency	Director	CONLOG	343 565.75
NN KEKANA	Gauteng Film Commission	Director	BUSINESS CONNEXION (PTY) LTD	2 521 694.04
NK XULU	KZN: EDUCATION	Member	LALENGALELE SUPPLIERS CC	127 700.00
SCA MNCUBE	KZN: SOCIAL DEVELOPMENT	Director	MZILANKATHA MALANDELA TRADING	4 875.00
P KHOZA	KZN: EDUCATION	Member	BRAINWAVE PROJECTS 1011 CC	8 100.00
TTT NXUMALO	KZN: EDUCATION	Member	NCABHAYI TRADING CC	58 410.00
DB NDIMANDE	South African Broadcasting Corporation	Member	NKALANE MEDIA AND PROJECTS	77 600.00
B MZIMELA	Ithala Development Finance Corporation Ltd	Member	NTSHIDI & ASSOCIATES	1 549 392.72
TM NDLELA	KZN: EDUCATION	Member	TEE LA LEH TRADING ENTERPRISE CC	8 500.00
SF MAKHANYA	South African Police	Member	MAHLAYIZENI TRADING ENTERPRISE	2 000.00
SM NDIMANDE	KZN: COOP GOVERNANCE & TRADE AFFAIRS	Member	NKALANE MEDIA AND PROJECTS	77 600.00
				4 892 499.71

This results in non-compliance of the aforementioned legislation and could result in possible fraudulent activity.

Internal control deficiency

Senior management failed to exercise oversight responsibility regarding compliance of SCM regulations

Recommendation

- The accounting officer must investigate and/ or take action against the suppliers who knowingly supplied/ declared false information in their bids.
- Suppliers must on an ongoing basis be requested to declare any changes in their status of conflicts/possible conflicts of interest and be reminded of the fact that non-declaration constitutes an act of fraud, which could result in a possible termination of the contract.

Management response

Agree to the finding, the municipality does not have a system to verify if the supplier is in the service of the state or not and therefore rely on the declaration forms as completed by the relevant supplier.

Name: Philani Sibiya

Position: CFO

Date: 07 November 2014

Auditor's conclusion

Management response has been noted. It is imperative that the municipality conduct investigations on this matter. The outcome or progress of these investigations will be followed up at the next quarterly interaction.

10. Suppliers not on municipality database

Audit finding

In terms of section 16(a) of the SCM regulations:

- (a) Quotation must be obtained from at least three different service providers preferably from, but not limited to, providers whose names appear on the list of accredited prospective providers of the municipality, provided that if quotation are obtained from providers who are not listed, such providers must meet the listing criteria set out in paragraph 14(1)(b) and (c) of this Policy

Section 14(1)(b) and (c) states that the supply chain policy must

- (b)instruct the accounting officer at least once a year through newspapers commonly circulating locally, the website and any other appropriate ways, invite prospective providers of goods or services to apply for evaluation and listing as accredited prospective providers;

- (c) specify the listing criteria for accredited prospective providers;

Based on a selected sample under SCM testing, it was noted that goods and services were procured from suppliers that are not on the Municipal database. The details are as follows:

Supplier	Total Payments 2013/2014
SOLLY M SPORTS	263 814.40
INDWE RISKS SERVICES	139 675.00
BOULEVARD 44 BOUTIQUE HOTEL	93 050.00
RAINBOW TEAM SOLUTIONS	69 511.10
TIHLI TRADING ENTERPRISE	45 172.78
KONICA MINOLTA	62 336.23
COASTLANDS-UMHLANGA	12 625.00
NKANDLA MOTORS	50 976.37
	737 160.88

The Municipality could be transacting with unworthy or unreliable suppliers thus resulting in possible losses.

Internal control deficiency

The Municipality did not exercise oversight responsibility regarding SCM compliance and related internal controls.

Recommendation

- The Municipality needs to revise the SCM policy and ensure that it specifies the listing criteria for prospective suppliers.
- Adherence to the listing criteria must be strictly enforced before updating the municipal database and transacting with new suppliers.

Management response

Agreed

Name: Philani Sibiya
Position: CFO
Date: 07 November 2014

Auditor's conclusion

Management's response is noted and will be followed up in the next year audit.

11. Deficiencies in the IDP, budget and reporting process

Audit finding

Section 25 of the Municipal Systems Act states that

(4) A municipality must, within 14 days of the adoption of its integrated development plan

(a) Give notice to the public -

- i. Of the adoption of the plan; and
- ii. That copies of or extracts from the plan are available for public inspection at specified places

(b) Publicise a summary of the plan

Regulation 18 of the Municipal Budget and Reporting Regulations states that within 10 working days after the municipal council has approved the annual budget of the Municipality, the municipal manager must in accordance with S21A of the Municipal Systems Act make public the approved annual budget, supporting documentation and the resolutions.

Regulation 19 of the Municipal Budget and Reporting Regulations states that the Municipal Manager must in accordance with S21A of the Municipal Systems Act make public the approved service delivery and budget implementation plan within ten working days after the mayor has approved the plan.

Regulation 26 of the Municipal Budget and Reporting Regulations states that within 10 working days after the council approved an adjustment budget, the municipal manager must in accordance with S21A of the Municipal Systems Act must make public the approved adjustment budget, supporting documentation as well as resolutions.

Regulation 30 of the Municipal Budget and Reporting Regulations states that the monthly budget statement must be placed on the Municipality's website.

Contrary to these requirements the following deficiencies were noted:

(a) Despite publically advertising the tabling of the draft IDP to council, no evidence was provided to indicate that the municipality within 14 days of the of the IDP gave notice to the public of its adoption and that copies or extracts of the approved adoption plan are available for public inspection at specified places.

(b) Despite publically advertising the tabling of the draft budget to council, no evidence was provided to indicate that the Municipal Manager, within 10 working days after the council approved the annual budget; made public of its approval, supporting documents and resolutions.

(c) No evidence was provided to indicate that the Municipal Manager made public the approved service delivery and budget implementation plan within 10 working days after the Mayor approved the plan.

(d) Council approved the adjustment budget on 27 February 2014 and publication of its approval was advertised on 27 March 2014 however the Municipality failed to meet the 10 working day requirement as prescribed under Regulation 26 of the Municipal Budget and Reporting Regulations.

(e) No evidence was obtained to indicate that the Municipality placed its monthly budget statements on the Municipal website in terms of Regulation 30 of the Municipal Budget and Reporting Regulations.

This results in non-compliance with the Municipal Finance Management Act, Municipal Systems Act and Municipal Budget and Reporting Regulations

Internal control deficiency

The municipality did not review and monitor compliance with laws and regulations.

Recommendation

- The accounting officer needs to implement and enforce strict adherence to the Municipal Systems Act and the Municipal Budget and Reporting Regulations.
- Key timelines and dates need to be incorporated into the standard operating procedures and must be monitored and reviewed on a regular basis.

Management response

Agree

Name: Philani Sibiyi

Position: CFO

Date: 07 November 2014

Auditor's conclusion

The finding will be followed up in the next year audit.

Trade Receivables

12. Inadequate revenue collection system

Audit finding

Section 64(2)(a) of the Municipal finance management act states that the accounting officer is responsible for the management of the revenue of the municipality and must take all reasonable steps to ensure an effective revenue collection systems consistent with section 95 of the MSA and the credit control and debt collection policy.

Based on the financial results of the current reporting period, it can be ascertained that the Municipality did not have an effective debt collection system in place due to the following:

- Consumer debtors have increased by 60.65% from R6 610 339 in the previous financial reporting period to R 10 619 143 in the current financial reporting period
- Debtor's days are excessive at 211 days for the 2013/2014 financial period.
- Of the R 10 619 143 debtors balance, R 5 302 645 relates to debtors in excess of the 90 day bracket.

Recoverability of these long outstanding debts is uncertain and may lead to significant financial losses.

Internal control deficiency

The accounting officer did not exercise adequate oversight responsibility by ensuring adequate controls have been designed and implemented to improve the debt recovery process of the municipality.

Recommendation

The accounting officer needs to implement and enforce stringent mechanisms to ensure adequate recovery of long outstanding amounts i.e.

- All debtors with arrears accounts must have their services disconnected or suspended.
- Interest must be levied on all overdue accounts.
- Personal or telephonic contact should be made with arrears debtors to encourage payments or to conclude settlement arrangements.
- Debtors must be handed over to attorneys to initiate legal processes and implement the execution of judgements.

Management response

Agreed.

Name: Philani Sibiya

Position: CFO

Date: 07 November 2014

Auditor's conclusion

The finding will be followed up in the next year audit.

Trade Payables

13. Creditors sub ledger and supplier reconciliations not performed

Audit finding

In terms section 62(b) of the Municipal Finance Management Act, the accounting officer is responsible for managing the financial administration of the Municipality and must for this purpose take all reasonable steps to ensure that full and proper records of the financial affairs of the municipality are kept in accordance with any prescribed norms or standards.

During the audit of payables, it was noted that the following reconciliations are not performed by the Municipality:

- Reconciliation between the creditors sub ledger and the general ledger
- Reconciliation between supplier statements and creditors control accounts

This could result in possible misstatements of the payables balance in the annual financial statements as errors may not be easily identified by the Municipality.

The Municipality will also not be in a position to adequately respond and address supplier queries which could lead to disgruntled suppliers.

Internal control deficiency

The accounting officer did not implement controls over the daily and monthly processing and reconciling of creditor transactions.

Recommendation

- To enhance its control environment, the accounting officer must ensure that these reconciliations are performed on a regular basis.
- The reconciliations must be monitored and reviewed by senior management to ensure that differences are investigated and resolved in a timely manner.

Management response

Agreed, the municipality will take the issue up with Business Connexion(Financial system) during 2014/15 financial year.

Municipality makes payments twice a month, mid - month and at month end. This is performed in order to comply with payments within 30 days and minimise creditors at each month end. When invoices are received, they are go through the internal verification process and expensed immediately without first raising a creditor. Therefore at each month end we do not have creditors because those invoices had been paid, however where a supplier has large volume of transactions or we trade with regularly, reconciliations are then performed before payment can be made. Therefore municipality does perform reconciliations.

Name: Philani Sibiya

Position: CFO

Date: 06 November 2014

Auditor's conclusion

We disagree with management's response. The creditors' process in place is deficient in many regards as evident by the material misstatements identified and failure to meet the 30 day payment requirement for a selected sample of invoices. Had supplier reconciliations been performed and monitored on a regular basis, majority of these issues could have been alleviated. The process of not raising a creditor on invoice is incorrect in terms of the accrual basis of accounting. In order to ensure an effective payables system, the municipality must perform monthly supplier reconciliations across all suppliers. The progress and its implementation thereof will be followed up at the next quarterly interaction.

Employee Costs

14. Shortcomings on employee files

Audit finding

In terms of section 62(1)b of the Municipal Finance Management Act, the accounting officer of the Municipality is responsible for managing the financial administration of the Municipality, and must for this purpose take all reasonable steps to ensure that full and proper records of the financial affairs of the Municipality are kept.

In terms of section 29 of the Basic Conditions of Employment Act,

An employer must supply an employee, when the employee commences employment, with the following particulars in writing-

- a) the full name and address of the employer;
- b) the name and occupation of the employee, or a brief description of the work for which the employee is employed;
- c) the place of work, and, where the employee is required or permitted to work at various places, an indication of this;
- d) the date on which the employment began;
- e) the employee's ordinary hours of work and days of work;
- f) the employee's salary or the rate and method of calculating salary;
- g) the rate of pay for overtime work;
- h) any other cash payments that the employee is entitled to; any payment in kind that the employee is entitled to and the value of the payment in kind;
- i) how frequently remuneration will be paid;
- j) any deductions to be made from the employee's remuneration;
- k) the leave to which the employee is entitled;
- l) the period of notice required to terminate employment, or if employment is for a specified period, the date when employment is to terminate;
- m) a description of any councilor sectoral determination which covers the employer's business;
- n) any period of employment with a previous employer that counts towards the employee's period of employment;
- o) a list of any other documents that form part of the contract of employment, indicating a place that is reasonably accessible to the employee where a copy of each may be obtained.

Section 29(4) states that the above written particulars must be kept by the employer for a period of 3 years after the termination of contract.

Section 34(1)(a), an employer may not make any deduction from an employee's remuneration unless the employee in writing agrees to the deduction in respect of the debt specified in the agreement.

- (a) Through inspection of employee files, it was noted that there were no signed authorisation of deductions for the following employees:

#	Employee Number	Employee Name	Deductions	Amount	Occupation
1	KZ2865004	MR TP MNCULWANA	BARGAIN; INSURANCE; AVBOB; IMATU; GROUP SCH	R 371.96	LINESMAN
2	KZ2865068	MR AM NTULI	BARGAIN; INSURANCE; IMATU; TRAF FINE; RENT; GROUP SCH	R 642.86	DRIVER FOR THE MAYOR
3	KZ286261	MS SL BIYELA	BARGAIN; IMATU; GROUP SCH	R 204.97	SENIOR ADMIN OFF.:COMMITT
4	KZ286293	MISS N THABETHE	BARGAIN; SALGBC1%	R 71.35	BUDGET INTERN
5	KZ286294	MR MP MCHUNU	BARGAIN; SALGBC1%	R 71.35	BUDGET INTERN
6	KZ286310	MR SB MTHEMBU	BARGAIN; SALGBC1%; GROUP SCH	R 845.52	MUNICIPAL MANAGER
7	NK5076	MR MT ZULU	BARGAIN; INSURANCE; AVBOB; IMATU; GROUP SCH	R 1312.81	DRIVER
8	KZ286302	MR PP SIBIYA	BARGAIN; INSURANCE; SALGBC1%; GROUP SCH	R 2406.93	CHIEF FINANCIAL OFFICER

- (b) Through inspection of the employee files, it was noted that there were no employment contracts for the following employees:

#	Employee Number	Employee Name	Salary	Occupation
1	KZ2865068	MR AM NTULI	R 9213.57	DRIVER FOR THE MAYOR
2	NK5076	MR MT ZULU	R 15241.02	DRIVER

Failure to maintain adequate employee records result in non-compliance with the Basic Conditions of Employment Act.

The Municipality will not be in a suitable position to defend itself in the event of employee conflicts or disputes.

Internal control deficiency

The Municipality did not establish and communicate policies and procedures to enable and support understanding and execution of internal control objectives.

Recommendation

- The Municipality must ensure that adequate payroll records are maintained in the employee files as prescribed under the Basic Conditions of the Employment Act.
- Adherence to the above can be achieved through implementation and completion of a checklist in employee files.

Management response

Agree with findings.

Name: Philani Sibiya

Position: CFO

Date: 07 November 2014

Name:

Position:

Date:

Auditor's conclusion

Management response noted and will be followed up in the next year audit.

Employee Cost

15. Incorrect termination notice period

Audit finding

In terms of section 37 of the Basic Conditions of Employment Act (BCEA), a contract of employment terminable at the instance of a party to the contract may be terminated only on notice of not less than -

- a) one week, if the employee has been employed for six months or less;
- b) two weeks, if the employee has been employed for more than six months but not more than one year;
- c) four weeks, if the employee has been employed for one year or more

Contrary to these requirements, it was noted that employees submitted notice periods for resignations that were not in accordance with the BCEA during the financial period. Details of these employees are as follows:

Employee Code	Employee Name	Engagement Date	Termination Date	Notice Period Given	Occupation
KZ286290	Ms. NP Mkhize	01/09/2012	12/09/2013	9 Days	SCM Officer
KZ286269	Miss. MN Ntombela	01/11/2009	18/10/2013	18 Days	Receptionist
KZ286298	Mr. TS Mathe	01/02/2013	31/01/2014	4 Days	Budget Intern

No audit evidence was provided to support the following employee termination:

Employee Code	Employee Name	Engagement Date	Termination Date	Occupation
KZ286114	Mr. BD Mlondo	01/02/2003	17/02/2014	LED Manager

This results in non-compliance with the Basic Conditions of Employment Act. Short termination notice periods will not afford the Municipality sufficient time to fill vacant posts which could result in productivity losses.

Internal control deficiency

The HR department did not establish and communicate policies and procedures, to enable and support understanding and execution of internal control objectives and processes.

Recommendation

The accounting officer needs to implement controls and mechanisms to ensure strict adherence to the Basic Conditions of Employment Act.

Management response

Agree with finding.

Name: Philani Sibiya
Position: CFO
Date: 07 November 2014

Auditor's conclusion

Management response noted and will be followed up in the next year audit.

Human resource management deficiencies

Audit finding

In terms of paragraph 8.2 of the recruitment selection and retention policy, the Municipality is required to perform reference checks on all applicants. When conducting a reference check on a job applicant, the Municipality shall focus on the applicant's ability to do the job in question in view of the job role and competency specification for the job.

Regulation 14 of the Municipal Regulations on Minimum Competency Levels states that:

- 1) The municipal manager must monitor and take the necessary steps to ensure compliance with the prescribed minimum competency levels for financial officials and supply chain management officials.
- 2) A Municipality must report the consolidated information set out in sub regulation 4
 - a) of the national treasury and provincial treasury by 30 January and 30 July of each year
- 4) A report on the compliance with prescribed competency levels must be in the specified format and include the following minimum information as at 30 June and 31 December of each year, as may be appropriate:
 - Total number of financial officials employed
 - Total number of financial officials whose competency assessments have been completed
 - Total number of supply chain management officials employed
 - Total number of supply chain management officials whose competency assessments have been completed
 - Total number of financial officials and SCM officials that meet the prescribed competency levels
 - Total number of financial officials and supply chain management officials whose performance agreements comply with regulation 16

a) During the audit of human resource management, it was established that no reference checks are performed for the verification process of new job applicants.

b) The Municipality did not submit the consolidated report of minimum competency levels to Treasury as prescribed under regulation 14 of the Municipal Regulations on Minimum Competency Levels.

The Municipality could be employing staff that are unqualified, incompetent and not suitable for the relevant post thus impacting productivity.

This results in non-compliance of the reporting requirements stipulated under the Municipal Regulation on Minimum Competency Levels

Internal control deficiency

The accounting officer did not establish and communicate HR policies and procedures to enable and support understanding and execution of internal control objectives and processes. The accounting officer did not exercise oversight responsibility regarding compliance.

Recommendation

- The municipality must conduct reference checks in terms of its policy to verify information provided by a job applicant during the selection process.
- The accounting officer needs to ensure that all reporting obligations are satisfactorily met in terms of relevant laws and regulations

Management response

Agree with findings.

Name: Philani Sibiya

Position: CFO

Date: 07 November 2014

Auditor's conclusion

Management response noted and will be followed up in the next year audit.

IT GOVERNANCE

17.1 Service level agreements were not signed off by the Municipality and did not include sufficient information

Audit finding

It was noted that the service level agreements (SLA's) held with Tmansworld Technologies (TTECH) for website hosting and with Zulucom cc for domain hosting were not signed by a representative of the Municipality. It was further noted that the following information was not included in SLA's held:

- Key performance indicators were not documented in the SLA with Bytes Technologies
- Requirements for monthly performance reporting were not stipulated in the SLA with Bytes Technologies, TTECH and Zulucom cc
- Penalties for contract violation or non-performance were not documented in the SLA with Zulucom cc
- Termination dates were not specified in the SLA's held with TTECH and Zulucom

If roles, responsibilities and obligations of each party are not formally defined and agreed upon in an SLA, neither party can hold the other accountable for breaches of the agreement which could result in inadequate service delivery. In addition, if a termination date is not specified in an SLA, management may not be aware of the duration for which services will be received.

Internal control deficiency

Management had not implemented an adequate vendor management framework to ensure that comprehensive and valid SLA's were in place with vendors used by the Municipality.

Recommendation

Management should ensure that SLAs are signed off by both parties and roles, responsibilities and obligations of each party are formally defined and agreed upon in the SLA. Key performance indicators, requirements for performance monitoring, penalties for contract violation and termination dates should be documented in SLAs held with vendors.

Management response

Agreed. All service level agreements will be reviewed and updated to ensure compliance with the auditor's recommendations.

Responsible official: S Buthelezi

Position: IT Technician

Action date: 30 June 2015

Auditor's conclusion

Management comments are noted and an assessment of the corrective actions agreed upon by management will be performed quarterly.

17.2 Service levels received from vendors not formally monitored

Audit finding

There were no formal processes in place to review and report on the performance of services rendered by vendors.

If regular monitoring of service levels received is not performed, management may not be aware of deviations from agreed service levels. This could result in excessive delays in the resolution of support incidents, downtime and a loss of productivity. Furthermore, the Municipality will not be in a position to determine if it is receiving value for its spend if service levels received is not monitored.

Internal control deficiency

Management had not implemented an adequate vendor management framework to ensure that all service providers are monitored and measured for service delivery standards.

Recommendation

Management should consistently monitor vendor performance through regular review of performance reports. Service provider performance review meetings should be held at scheduled times to ensure the achievement of agreed upon service levels.

Management response

Agreed. Vendors will be requested to prepared and submit service performance reports. These will be formally reviewed and discussed with management on a regular basis. In addition, a performance schedule is being prepared by the Municipality and will be used to monitor performance of vendors.

Responsible official: S Buthelezi

Position: IT Technician

Action date: 28 February 2015

Auditor's conclusion

Management comments are noted and an assessment of the corrective actions agreed upon by management will be performed quarterly.

18. IT SECURITY MANAGEMENT

18.1 No Patch Management Policy in place

Audit finding

A Patch Management Policy had not been formally documented and approved by the Municipality.

In the absence of a formal Patch Management Policy, patches may not be installed on servers and applications timeously thus resulting in system vulnerabilities which may be exploited.

Internal control deficiency

Resource limitations in the IT Department resulted in management oversight in developing a Patch Management Policy.

Recommendation

A Patch Management Policy should be documented, reviewed, approved and implemented. The policy should adequately document the process to be followed when patches are required to be installed. The policy should also include procedures regarding the approval of patches by management and should be distributed to all affected users.

Management response

Agreed. Management will develop a Patch Management Policy.

Responsible official: S Buthelezi

Position: IT Technician

Action date: 31 March 2015

Auditor's conclusion

Management comments are noted and an assessment of the corrective actions agreed upon by management will be performed quarterly.

18.2 Password configuration settings not adequately stipulated in the IT Security Policy

Audit finding

The following deficiencies were noted regarding the password settings documented in the IT Security Policy:

- The password configuration settings did not detail the standards to be applied for minimum password days, password complexity and password history
- The IT Security Policy stipulated a password length of 6 characters; however a password length of 8 characters had been configured on the Windows Active Directory
- The password settings for Conlog could not be obtained to perform a comparison to those stipulated in the IT Security Policy

If password settings are not adequately detailed in documented policies and procedures, the risk of the network and applications being inappropriately configured is increased. This could result in an intruder gaining access to the Municipality's network and applications.

Internal control deficiency

Management oversight was noted with regard to ensuring that adequate password configuration setting standards were detailed in the IT Security Policy.

Recommendation

The password configuration settings documented in the IT Security Policy should be updated to include the standards to be complied with for minimum password days, password complexity and password history. Management should thereafter ensure that the policy standards stipulated in the IT Security Policy are consistently implemented on the network and applications.

Management response

Agreed. Management will ensure that the password configuration settings documented in the IT Security Policy are updated to be in accordance with leading practices. These will then be implemented across the network and all systems utilised by the Municipality.

Responsible official: S Buthelezi

Position: IT Technician

Action date: 31 March 2015

Auditor's conclusion

Management comments are noted and an assessment of the corrective actions agreed upon by management will be performed quarterly.

18.3 System administrator activities not reviewed (Windows Active Directory, Venus and Payday)

Previous audit finding

There are no reviews taking place to ensure that the system administrators of the systems \ performed only authorised transactions on the system.

Follow up audit finding

Independent reviews of System Administrator activities on the Windows Active Directory, Venus and Payday systems were not performed.

Users with administrator access have full control over systems. Not reviewing activities performed by administrators may result in unauthorised activities not being timely detected. Furthermore, this could result in user id maintenance activities being performed without valid and approved requests.

Internal control deficiency

- Due to resource limitations in the IT Department reviews required were not performed
- Management was unaware that independent reviews of system administrator activities were not being performed

Recommendation

Management should ensure that activities of System Administrators are reviewed by independent personnel. Documentation relating to this review should be maintained as evidence of reviews performed.

Management response

Agreed. Management will ensure that administrator access and activities are reviewed on a regular basis by the Director: Corporate Services.

Responsible official: S Buthelezi

Position: IT Technician

Action date: 31 December 2014

Auditor's conclusion

Management comments are noted and an assessment of the corrective actions agreed upon by management will be performed quarterly.

18.4 Service provider responsible for administration of Human Resource and Payroll system (Payday)

Audit finding

Cognisance was taken of the fact that that an employee at the Municipality had been assigned administrator access on the Payday system. It was however noted that reliance was being placed on the service provider to administer the system as the employee had not been trained on the administrator functionality available on the Payday system.

Complete dependence on a service provider for administration of a financial system could result in unauthorised transactions and activities being performed on the system. In addition, prolonged system downtime may occur should the service provider not be available.

Internal control deficiency

Management had not ensured that the service provider transferred system administration knowledge to an employee of the Municipality.

Recommendation

Management should ensure that the service provider transfers system administrator knowledge to the employee who has been assigned administrator access on the Payday system. Thereafter, the Municipality should assume responsibilities for administering the Payday system.

Management response

Agreed. Management will request the service provider to transfer skills for the administration of Payday to the municipal employee who has been assigned administrator access on the system.

Responsible official: S Buthelezi

Position: IT Technician

Action date: 31 December 2014

Auditor's conclusion

Management comments are noted and an assessment of the corrective actions agreed upon by management will be performed quarterly.

19. USER ACCESS CONTROL

19.1 No User Account Management Policy in place

Previous audit finding

The executive council have not reviewed and approved the user access management procedure.

Follow up audit finding

The Municipality has not developed and approved a User Account Management Policy.

Employees may not be aware of the processes to be followed and the approvals required for new user access, modification of access, termination of access and password resets on Municipal systems. This may result in unauthorised users gaining access to the systems in use.

Internal control deficiency

Management oversight had resulted in a User Account Management Policy not being developed.

Recommendation

Management should ensure that a User Account Management Policy is developed, approved and implemented to manage user account maintenance. All employees should be made aware of the policy and be required to adhere to its contents.

Management response

Agreed. A User Account Management Policy will be designed, reviewed and approved in the next financial period.

Responsible official: S Buthelezi

Position: IT Technician

Action date: 31 March 2015

Auditor's conclusion

Management comments are noted and an assessment of the corrective actions agreed upon by management will be performed quarterly.

19.2 No documentation completed for administrator access rights granted (Windows Active Directory)

Audit finding

Administrator rights to the domain were granted to Sipho Buthelezi (IT Technician) and Sfiso Maphumulo (Bytes Desktop Engineer) without formal documentation and approval taking place.

Users with administrator access have full control over systems. Unauthorised administrator rights granted to employees could result in unauthorised system changes which may affect the functionality of the system.

Internal control deficiency

Management had not implemented a formal procedure for the granting of administrator access rights.

Recommendation

Management should consider implementing the following controls:

- Procedures for the granting and approval of administrator access rights should be included in the User Account Management Policy
- Administrator access should be requested through formal administrator access request forms which should be reviewed and approved by a senior official of the Municipality

Management response

Agreed. User access forms indicating that administrator access to the Windows Active Directory is authorised for the IT Technician and the Bytes Desktop Engineer will be completed. Going forward forms will be timeously completed for all accesses assigned on systems.

Responsible official: NP Dlamini

Position: Director: Corporate Services

Action date: 31 December 2014

Auditor's conclusion

Management comments are noted and an assessment of the corrective actions agreed upon by management will be performed quarterly.

19.3 Register for the allocation of Microsoft licenses not completed

Audit finding

There is no volume based licencing agreement with Microsoft for the Windows operating system. Currently, licences are purchased on an ad hoc basis whenever a new terminal is acquired. Licences purchased were previously allocated to a terminal by completing a register; however this register is no longer maintained.

This could result in inadequately licensed terminals being utilised by the Municipality and licenses not required being purchased. The Municipality may be liable for licencing fines and be at risk of reputational damage if software in use is not appropriately licensed.

Internal control deficiency

Due to management oversight, no process has been implemented to ensure that Microsoft licences are allocated to the correct devices and users.

Recommendation

Management should consider the following implementing the following controls:

- A volume based licensing agreement should be entered into with Microsoft
- If this is not financially viable, then a list of licences together with the serial number of the devices they are linked to should be maintained by the Municipality.

Management response

Agreed. The IT Department are in the process of obtaining a volume based licence and this process should be completed early in 2015.

Responsible official: S Buthelezi

Position: IT Technician

Action date: 30 June 2015

Auditor's conclusion

Management comments are noted and an assessment of the corrective actions agreed upon by management will be performed quarterly.

19.4 User access rights not periodically reviewed (Venus, Payday, Cash focus and Conlog)

Previous audit finding

There was no evidence of review of user access rights on the Venus, Payday, Cash focus and Conlog systems to ensure that their access is still commensurate with their actual job responsibilities.

Follow up audit finding

The following weaknesses were noted with regard to the review of user access rights assigned on systems:

- Periodic reviews were not performed on the Conlog system to ensure that current user access rights and privileges assigned on the system were still commensurate with an employee's job responsibilities
- Evidence related to the user access reviews performed for the Venus, Payday and Cashfocus systems was not maintained

If reviews of users' access rights are not performed on a periodic basis, management may not be able to identify users who have been granted excessive access rights or access rights no longer required to perform the roles and responsibilities associated with their job functions. This could compromise the confidentiality, integrity and availability of data stored on the system. In addition, if adequate evidence of reviews performed is not maintained, management may have no audit trail for changes made to user's accounts as a result of user access reviews performed.

Internal control deficiency

Management oversight was noted with regard to the implementation of review and monitoring controls over user access rights assigned on systems.

Recommendation

Management should consider implementing the following controls:

- Periodic checks should be carried out by management to ensure that user's current access rights assigned on systems are still commensurate with their job responsibilities
- Evidence of such reviews should be maintained

Management response

Agreed. Reviews of user access rights will be performed on a quarterly basis and evidence of reviews will be maintained.

Responsible official: NP Dlamini

Position: Director: Corporate Services

Action date: 31 January 2015

Auditor's conclusion

Management comments are noted and an assessment of the corrective actions agreed upon by management will be performed quarterly.

20. PROGRAM CHANGE MANAGEMENT

20.1 Emergency change procedures not documented

Audit finding

Cognisance was taken of the fact that a Change Management Policy had been developed by the Municipality it was however noted that procedures to be followed for emergency changes were not detailed in the policy.

An inadequate control process for emergency changes may lead to untested and unauthorised changes being made to the production environment which could affect the stability and accuracy of applications.

Internal control deficiency

Management oversight was noted with regard to designing and including emergency change procedures in the Municipality's Change Management Policy.

Recommendation

Emergency change management procedures should be comprehensively documented and incorporated into the current Change Management Policy. The updated policy should be approved by Council and communicated to affected users.

Management response

Agreed. Emergency Change Management procedures will be incorporated into the Change Management Policy.

Responsible official: S Buthelezi

Position: IT Technician

Action date: 31 March 2015

Auditor's conclusion

Management comments are noted and an assessment of the corrective actions agreed upon by management will be performed quarterly.

20.2 System change logs not available (Venus, Payday, Cashfocus and Conlog)

Audit finding

The Municipality was unable to extract system generated logs to substantiate if any changes had been implemented on key financial systems for the period under review.

Inadequate change control processes may lead to untested and unauthorised changes being implemented in the production environment. This may affect the stability of the applications and accuracy of calculations performed.

Internal control deficiency

Management do not know how to extract change control logs due to the significant dependency on vendors and the slow speed of the software.

Recommendation

Management should consider implementing the following controls:

- Staff should be trained on how to extract change logs from systems
- System generated change logs should be reviewed on a periodic basis to ensure that no unauthorised changes have been made to applications. Evidence of these reviews performed should be maintained.

Management response

Agreed. Service providers will be requested to assist with the generation of system change logs. These will thereafter be reviewed by the Municipality.

Responsible official: Sipho Buthelezi

Position: IT Technician

Action date: 28 February 2015

Auditor's conclusion

Management comments are noted and an assessment of the corrective actions agreed upon by management will be performed quarterly.

21. FACILITIES AND ENVIRONMENTAL CONTROLS

21.1 Server room access register not reviewed

Audit finding

Cognisance was taken of the fact that a visitor's register had been implemented in the server room. It was however noted that the register was not being checked and signed off by management.

Management may not be aware if the server room register is being consistently and adequately completed.

Internal control deficiency

Management oversight was noted with regard to the review of the server room access register.

Recommendation

Management should review the server room visitor register on a periodic basis to ensure it is being consistently completed and signed off.

Management response

Agreed. A regular review of the server room register will be enforced and the register will be signed off.

Responsible official: S Buthelezi

Position: IT Technician

Action date: 30 November 2014

Auditor's conclusion

Management comments are noted and an assessment of the corrective actions agreed upon by management will be performed quarterly.

21.2 No server room maintenance schedule in place

Audit finding

A maintenance schedule for devices inside the server room had not been developed. Maintenance was carried out on an ad hoc basis and there was no formal process to ensure that all IT environmental controls within the server room were periodically serviced.

Lack of a maintenance schedule may result in environmental controls not being periodically serviced which could result in IT systems malfunctioning thereby interrupting business operations.

Internal control deficiency

A maintenance schedule was not developed due to management oversight.

Recommendation

Management should ensure that the maintenance schedule is established and server room environmental controls are regularly serviced to ensure continuous functioning of systems and business operations.

Management response

Agreed. A maintenance schedule will be developed and implemented in consultation with the Maintenance Department.

Responsible official: S Buthelezi

Position: IT Technician

Action date: 31 December 2014

Auditor's conclusion

Management comments are noted and an assessment of the corrective actions agreed upon by management will be performed quarterly.

22. INFORMATION TECHNOLOGY SERVICE CONTINUITY

22.1 Business Continuity Plan not established and Disaster Recovery Plan not tested

Previous audit finding

The municipality has not yet developed a Disaster Recovery Plan (DRP) and Business Continuity Plan (BCP).

Follow up audit finding

The following weaknesses were identified with regard to IT service continuity controls:

- A BCP had not been established
- A DRP had been established, however the plan had not been tested

In the event of a disaster the Municipality may not be able to recover to normal business operations timeously if a comprehensive, current and tested BCP and DRP are not in place.

Internal control deficiency

Management oversight was noted with regards to establishing a BCP and the testing of the DRP.

Recommendation

Management should consider implementing the following controls:

- A BCP should be developed, implemented and communicated to all affected employees
- Steps should be taken to ensure that the BCP and DRP is tested on an annual basis
- The results of the testing should be evaluated and benchmarked against required criteria in order to assess the effectiveness of the plans
- Changes to the BCP and DRP should be made based on the results of testing performed with the amended plans being approved and distributed to the relevant individuals

Management response

Agreed. The various BCP and DRP options available to the Municipality will be evaluated and a suitable solution selected to drive the process of designing and implementing the BCP as well as ensuring that the BCP and DRP are adequately tested. The BCP will be driven from the Municipal Manager's office.

Responsible official: Sipho Buthelezi

Position: IT Technician

Action date: 30 June 2015

Auditor's conclusion

Management comments are noted and an assessment of the corrective actions agreed upon by management will be performed quarterly.

22.2 Evidence of backup restoration testing performed not maintained

Audit finding

Evidence of the restoration testing of backup media performed for the period under review was not maintained.

If restoration testing is not performed on a periodic basis management may not be aware of the continued readability of backup media. In addition, if backup media is not readable the Municipality may not be able to utilise its backups to restore data. In the absence of evidence of the restoration tests performed, management may not be aware of the readability of backup media as well as the actions taken for backups that could not be restored.

Internal control deficiency

Due to resource limitations in the IT Department restoration testing was not formally performed and therefore evidence was not maintained.

Recommendation

Restoration testing of backup media should be conducted on a scheduled basis and evidence of the testing performed should be maintained.

Management response

Agreed. Backup restoration testing will be performed by the service provider and the Municipality will ensure that evidence of the tested is requested and maintained.

Responsible official: S Buthelezi

Position: IT Technician

Action date: 28 February 2015

Auditor's conclusion

Management comments are noted and an assessment of the corrective actions agreed upon by management will be performed quarterly.

22.3 Inadequate backup processes in place

Audit finding

The following deficiencies were noted with regard to backups performed:

- The Backup Policy did not detail the process for tape movement (secure transportation from onsite to offsite)
- The backup register did not identify the status of backups performed
- An offsite backup register was not maintained.

Employees who are required to perform backups may not be aware of the correct procedures to be followed for tape movement. If backups are not adequately monitored, backups may be incomplete or unsuccessful and management may not be able to use the backup to restore data.

Internal control deficiency

The Backup Policy and maintenance of backup registers was not adequately implemented due to resource limitations within the IT department.

Recommendation

Management should consider implementing the following controls:

- Management should ensure that backup standards and procedures are enhanced to include the process for transportation of backup media
- Backup registers must be amended to include the status of backups performed
- An offsite backup register must be implemented to record all tapes stored at the offsite storage location

Management response

Agreed. The recommendations will be implemented.

Responsible official: S Buthelezi

Position: IT Technician

Action date: 31 March 2015

Auditor's conclusion

Management comments are noted and an assessment of the corrective actions agreed upon by management will be performed quarterly.

ANNEXURE C: ADMINISTRATIVE MATTERS

No matters to report on.

APPENDIX B

2013/2014 MPAC

REPORT

NKANDLA MUNICIPALITY OVERSIGHT REPORT

Oversight Committee Members

COUNCILLORS	POSITION	POLITICAL PARTY
Councillor B.V KHANYILE	CHAIRPERSON	IFP
Councillor N.P .N MAGUBANE	VICE CHAIRPERSON	NFP
Councillor T.F NXUMALO	MEMBER	IFP
Councillor H.R NTOMBELA	MEMBER	IFP
Councillor B.B NDIMA	MEMBER	ANC
Councillor B.B DLOMO	MEMBER	IFP
Councillor N.R XULU	MEMBER	ANC

Executive Summary

In terms of the Municipal Finance Management Act (Act No 56 of 2003) read in conjunction with Municipal Systems Act (Act No 32 of 2000), each municipality must prepare an Annual Report for each financial year.

The above mentioned acts state that the Annual Report is to:

- To provide a record of activities of the municipality or municipal entity during the financial year to which the report relates;
- To provide a report on performance against the budget of the municipality or municipal entity for that financial year; and
- To promote accountability to the local community for the decision made throughout the year by the municipality or municipal entity

The draft Annual Report 2013/14 was tabled in Council on 23 January 2015.

The final step in the reporting process is for Council to consider the Annual Report in the light of the findings contained in an Oversight Report. This is in terms of section 129 of the MFMA.

The Oversight Report is compiled by the Municipal Public Accounts Committee (MPAC) as established by Council.

The MPAC represents a separation of powers between the Executive Committee and the Administration and is aimed at enhancing accountability and good governance.

The Oversight Report is prepared using guidelines prepared by National Treasury as per MFMA Circular no 32. It attempts to address comments and submissions made by the community and stakeholders, as well as the observations and recommendations of the MPAC.

Background to Annual Report 2013/14

Section 121 of the Local Government: Municipal Finance Management Act 56 of 2003 (MFMA) stipulates that “

- 1. Every municipality and every municipality entity must for each financial year prepare an annual report in accordance with this Chapter. The council of a municipality must within nine months after the end of a financial year deal with the annual report of the municipality and of any municipal entity under the municipality's sole or shared control in accordance with section 129.*
- 2. The purpose of an annual report is-*
 - (a) To provide a record of activities of the municipality or municipal entity during the financial year to which the report relates;*
 - (b) To provide a report on performance against the budget of the municipality or municipal entity for that financial year; and*
 - (c) To promote accountability to the local community for the decision made throughout the year by the Municipality or Municipality entity*

The annual report of the municipality must include-

- (a) The annual financial statements of the municipality, and in addition, if section 122 (2) applies, consolidated annual financial statements, as submitted to the Auditor General for audit in terms of section 126 (1);*
- (b) The Auditor General report in terms of section 126 (3) on those financial statements.*
- (c) The annual performance report of the municipality prepared by the municipality in terms of section 46 of the Municipal Systems Act;*
- (d) The Auditor General's audit report in terms of section 45 (b) of the Municipal Systems Act; An assessment by the Municipality's accounting officer of any arrears on municipal taxes and service charges;*
- (f) An assessment by the municipality's accounting officer of the municipality's performance against the measurable performance objectives referred to in section 17 (3) (b) for revenue collection from each revenue source and for each vote in the municipality's approved budget for the relevant financial year;*

(g) Particulars of any corrective action taken or to be taken in response to the issues raised in the audit reports referred to in paragraphs (b) and (d)

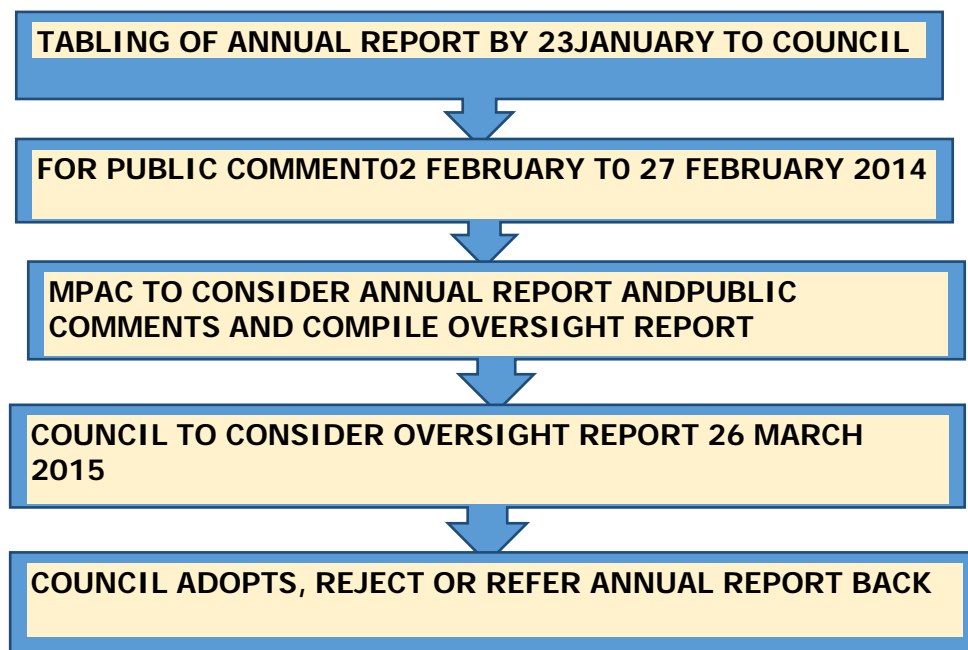
(h) Any explanation that maybe necessary to clarify issues that in connection with the financial statements;

i) Any information as determined by the municipality;

(j) Any recommendations of the municipality's audit committee; and

(k) Any other information as may be prescribed.

It is against this background that the annual report for the 2013/2014 financial year was submitted to Council on the 23 January 2015 as follows:-



Accordingly, notice was published in the Ilanga Newspaper on 19-21 January 2015, in terms of section 21 of the Municipal Systems Act, No 32 of 2000 read with section 127(5) of the Municipal Finance Management Act that the Annual Report was open for comments and/or inputs by the community and stakeholders by the 27th February 2015. The Annual report was also placed at all municipal offices, libraries and the municipal website www.nkandla.gov.za on 29 January 2015.

Functions of the Municipal Public Accounts Committee (MPAC)

The functions of the MPAC are to:

- Undertake a review and analysis of the Annual Report.
- Invite, receive, and consider inputs from Councillors and Portfolio Committees, on the Annual Report.
- Consider written comments received on the Annual Report from the public consultation process.
- Conduct Public Hearing(s) to allow the local community or any organs of state to make representations on the Annual Report.
- Receive and consider Council's Audit Committee views and comments on the annual financial statements and the performance report.

- f) Preparation of the draft Oversight Report, taking into consideration, the views and inputs of the public, representative(s) of the Auditor-General, organs of state, Council's Audit Committee and Councillors.

Summary of comments received from stakeholders and Management Response thereto

The public comments received is attached as Annexure 1.

Management Response thereto is tabulated as follows:

PUBLIC COMMENTS

There were no comments received from the public.

The MPAC had its meeting on the 24 March 2015

AUDIT COMMENTS

SUBMISSION BY AUDIT COMMITTEE COMMENT/QUESTION	MANAGEMENT RESPONSE
<p>The Department has perused your annual report in terms of the reporting and disclosure requirements as set out in Chapter 12 of the Municipal Finance Management Act (No.56 of 2003) (MFMA), in particular sections 121 (3) and (4) 123, 124 and 125 and section 46 of the Local Government Municipal Systems Act (No 32 of 2000) (MSA) the analysis highlights that all items in respect of above Acts are included in your annual report.</p> <p>The municipality has also complied with the new format of the annual report as outlined in Circular 63 of the MFMA, dated September 2003</p> <p>The municipality has shown great improvements when comparing to previous financial years in respect of compliance of its annual report.</p> <p>In terms of section 129 of the MFMA your municipal council is required to consider the annual report of the municipality and its entity and adopt an Oversight Report on the annual report by no later than 30 March 2015</p>	<p>Noted with Appreciation.</p>
<p>The Audit Response Action plan be Included as Appendix to the Oversight report. Relevant changes be made to the Annual Report prior to publishing.</p>	<p>The comments from Audit committee were considered and the Audit Response plan will be Included as Appendix and revised accordingly</p>

SUBMISSION BY MPAC COMMENT/QUESTION	MANAGEMENT RESPONSE
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The Municipal Public accounts committee dealt with the annual report in terms of the reporting and disclosure requirements as set out in Chapter 12 of the Municipal Finance Management Act (No.56 of 2003) (MFMA), in particular sections 121 (3) and (4) 123, 124 and 125 and section 46 of the Local Government Municipal Systems Act (No 32 of 2000) (MSA) the analysis highlights that all items in respect of above Acts are included in your annual report.	Noted with Appreciation.
--	--------------------------

Checklist for consideration of the Annual Report

Information required to be included in annual reports

ITEM	RESPONSIBLE PERSON	INCLUDED/NOT INCLUDED
The annual financial statements of the municipality,	CFO	Included
The Auditor General report	Municipal Manager	Included
The annual performance report of the municipality prepared by the municipality in terms of section 46 of the Municipal System Act;	Municipal Manager	Included
Particulars of any corrective action taken or to be taken in response to the issues raised in the audit reports	Municipal Manager	Included
Recommendations of the audit committee in relation to the AFS and the audit report of the municipality and its entities Included in Annual Report	CFO	Included
Any explanation that maybe necessary to clarify issues that are in connection with the financial statements;	CFO	Included

The following general information required to be disclosed in the annual report.

Responsible Official

Three year capital plan for addressing infrastructure backlogs in terms of theMunicipal Infrastructure Grant (MIG) framework Included in Annual Report: Director Technical Services

Conclusions on the annual report of the municipality

The MPAC acknowledges with appreciation the improvement in the quality of annual reporting made bythe management. As indicated in the Checklist for Annual Report as issued by Audit Committee and included in this report, the MPACis also pleased to note that all components of the Annual Report are included as is required in terms ofsection 121(3) of the MFMA as follows :-

- The annual financial statements of the municipality,*
- The Auditor General report*
- Report of the Audit Committee*
- The annual performance report of the municipality prepared by the municipality in terms of section 46 of the Municipal System Act;*

-
- e) *The Auditor General's audit report in terms of section 45 (b) of the Municipal Systems Act.*
 - f) *An assessment by the municipality's accounting officer of any arrears on municipal taxes and service charges;*
 - g) *Particulars of any corrective action taken or to be taken in response to the issues raised in the audit reports*
 - h) *Any explanation that maybe necessary to clarify issues that are in connection with the financial statements;*

It is concerning however, that whilst the Municipality have done its best in so far as it related to service delivery, the Municipality has received an unqualified audit opinion from the Auditor-General for four consecutive years.

The findings of the Auditor-General and management response thereto, as per Annexure 2 of this report, are noted.

The MPAC further acknowledges the steps taken by Management to engage the services of experts (KPMG) to ensure that the Municipality works towards a clean audit. In this regards, it is imperative that the Audit Response Action Plan is monitored by all relevant governance structures including the MPAC on a regular basis.

The Committee also acknowledges the role played by the Audit Committee in so far as its advisory role in concerned, and that of Cogta in so far as its support to the Administration.

The Committee also acknowledges the progress made towards debt management with an increase of R7 310 639.00 as compared to previous year where R5 842 673.87 was collected. However, the escalating outstanding debt is rather concerning, and the MPAC notes that revenue recovery Plan has been reviewed. The MPAC further requires regular feedback on this area of intervention from Management.

In so far as maintaining a healthy cash flow is concerned, the MPAC proposes to Management and EXCO to apply cost cutting measures without compromising on service delivery standards - and also to consider other funding options for the implementation of the capital programme.

The MPAC also congratulates the Mayor, Executive Committee and Management and all officials for tirelessly ensuring progressive service delivery by completing many infrastructure and social development projects that improved the lives of the previously disadvantaged communities, and improving on standards elsewhere. This has resulted in many accolades for this growing town in the year under review as highlighted in the Annual Report.

Conclusion

The Committee thanks the Speaker of the Nkandla Municipality, Councillors, the Mayor, Municipal Manager, the management team, the Auditor General, and COGTA, for their support and co-operation throughout the year.

The Committee strongly believes that Nkandla Municipality and its citizens will realize substantial and tangible benefits if a similar process is consistently followed in the following years. The Committee is grateful for the opportunity to be of service to Nkandla Municipality and its citizens.

Resolutions and Statement

Resolved to Recommend:-

- a) That in terms of section 129 of the Local Government: Municipal Finance Management Act 56 of 2003, that Council having fully considered the Annual Report of the Nkandla Municipality and the municipal entity.
- b) That in terms of section 129(1)(a), Council approves the Annual Report of the Nkandla Municipality for the 2013/14 Financial Year with the following reservations:-
 - i) Unqualified Audit Opinion by Auditor-General – The Municipality has been obtaining Unqualified Audit opinion by Auditor general for 4 consecutive financial years how ever more effort is needed in order to get clean Audit.
 - ii) The irregular expenditure reported is decreasing from **R36 959 638** in 2012/2013 to **R 30 766 117** in 2013/2014 financial year. However investigation needs to take place and disciplinary measures against negligence that result to Maladministration together with a plan to eliminate irregular expenditure need to be implemented.
 - ii) Debt Collection - That whilst Council note the efforts of EXCO and management to address outstanding debt through the revenue recovery plan, and acknowledges the increase in payment factor as at year end in relation to the previous financial year - more needs to be done to reduce outstanding debtors and increase Revenue collection. In this regards, management MUST address Debt management as a key intervention area and allocate relevant resources as is required accordingly. Regular progress reports must be submitted to relevant governance structures, including MPAC. This should be a standing item on all relevant committee agenda going forward.
- c) That in respect of Recruitment and Selection – that all suitable candidates for vacancies must be vetted by the Human Resources department to ensure compliance with qualification and minimum competence requirements relating to the position.

OTHER MPAC RESOLUTIONS

DATE	Item No.	Item Title	Resolution	Responsible Person	Action taken	PROGRESS TO DATE
02 July 2014	MPAC 10/2013/14	ANNUAL REPORT 2012/2013	That the MPAC should convene a Special meeting with Technical Services Department as to check the status quo of current Municipal projects. That the MPAC should have a plan to visits Municipal Projects.	MM	Some of the project have been visited	
	MPAC: 11/2013/14	MID-YEAR PERFORMANC E REPORT 2013/2014	That the item be deferred backand be discussed on the next special MPAC meeting scheduled on the 09 July 2014 at 10H00.	MM	The Performance report was tabled to the MPAC held on the 09 July 2014	
	MPAC: 12/2013/14	OVERSIGHT REPORT FOR 2012/2013	That the MPAC should have a resolution register to monitor progress that the set targets are being achieved. That the Audit Committee be in collaborated with MPAC meeting to discuss issues raised.	MM	-The resolution register has been established -The Chairperson of MPAC attends all regular Audit Committee meetings	The resolution register is a standing item to MPAC Meetings

	MPAC: 13/2013/1 4	DEVIATION REPORT	That the Finance Department must have a clear plan on how to eliminate deviations.	FINANCE		
	MPAC: 14/2013/1 4	FRUITLESS AND WASTEFUL EXPENDITUR E REPORT	That the Fruitless and Wasteful Expenditure plan be on place.	FINANCE		
	MPAC: 15/2013/1 4	DASHBOARD REPORT	<p>That the action plan to eliminate red faces be on place</p> <p>That the action plans be on place to monitor that the red face and yellow faces are changed to green faces.</p> <p>That the item be a standing item to monitor progress.</p>	FINANCE	The action plan on dash board report has been established	
	MPAC: 16/2013/1 4	FIRST AND SECOND QUARTER INTERNAL AUDIT REPORT	<p>That the action plan be on place which states the status quo of issues that are being raised by the Internal Audit.</p> <p>That the item be a standing item to monitor progress.</p>	MM	The action plan is in place and monitored, reports are tabled to MANCO on Monthly bases and to Audit committee, EXCO and council	
	MPAC: 17/2013/14	AUDITOR GENERAL	That the item be discussed on the	MM	The AG Action plan	The AG

		ACTION PLAN	next Special MPAC meeting scheduled on the 09 July 2014 at 10H00		was tabled to MPAC and is a standing item to all MPAC meetings.	Action plan is a standing item to all MPAC meetings.
	MPAC: 18/2013/14	PROJECTS EXPITURE FOR THE 2013/14 FINANCIAL YEAR	That the MPAC members visit the Municipal projects.	TECHNICAL DEPARTMENT	The Municipal Projects were visited but not all of them	
03 September 2014						
08 October 2014	MPAC: 06/2014/15	MPAC PRACTICAL GUIDE	That the workshop on the MPAC practical guide be organized	MM	The workshop will be held before the end of November 2014	The SALGA was contacted will report back with a Date
17 December 2014	MPAC:12/2014/15	SECTION 71 REPORT-OCTOBER 2014	That section 71 be submitted to Council for information. That section 71 report be submitted to National Treasury within 10 working days after month end.	MM		

			<p>That the item detailing the matter between the municipality, Shikani, and the sheriff and the employees with explanation on the matter be available in the next meeting.</p> <p>That the implementing agent for the municipal projects be invited in the next MPAC meeting to present the status of the municipal projects.</p>			
27 February 2015	MPAC:17/2014/15	IRREGULAR EXPENDITURE REPORT 2013/2014	<p>The Item be submitted to Audit Committee for oversight comments.</p> <p>That the Internal Audit provides their investigation report.</p> <p>That all the reports be prepared and made available before Tuesday 10/03/2015.</p>	MM		

APPENDIX C

2013/2014 REMEDIAL ACTION PLAN ON ISSUES RAISED BY AUDITOR GENERAL

Nkandla Local Municipality

Follow up of items reported by the Auditor General in 2014

NO.	FINDING BY AUDITOR-GENERAL	EXPECTED ACTIONS TO REMEDY	TARGET DATE FOR COMPLETION	PROGRESS TO DATE / IA COMMENT	PORTFOLIO OF EVIDENCE /	STATUS AS AT 17 MARCH 2015	RESPONSIBLE OFFICIAL
1.	No declaration of interest from winning providers No evidence was obtained to confirm that declarations of interests were submitted by the winning supplier/bidders.	-all irregular expenditure must be subjected to the processes outlined in section 32 of the Municipal Finance Management Act. -The accounting officer is required to take decisive actions to ensure that the municipality's SCM process and records management gets the required attention.	31 March 2015	In progress: Section 32 process implemented. Suppliers to complete MBD4 and MBD8.	Report submitted to Council meeting of 26 February 2015 and to MPAC meeting of 27 February 2015	The MPAC is still investigating the irregular expenditure. MBD 4 & 8 has been implemented for all out going bid/quote above R30 000.00	Chief Finance Officer/AD supply chain
2.	No evidence of public invitation for competitive bidding During the audit of the Supply Chain Management, it was noted that there is no evidence to indicate that the awards were publically advertised i.e. no advertisements in tender files:	-all irregular expenditure must be subjected to the processes outlined in section 32 of the Municipal Finance Management Act. -The accounting officer is required to take decisive actions to ensure that the municipality's SCM process and records management gets the required attention.	31 March 2015	In progress: Section 32 process implemented. Open tender documents are now only limited to SCM personnel and if documents are required for anything copied are done by SCM personnel and documents not taken out.	MBD 4 & 8 are in the municipal websites	The MPAC is still investigating the irregular expenditure.	Chief Finance Officer/AD Supply chain
3.	No evidence that bid specification process was conducted During the audit of Supply Chain Management, no evidence was obtained to indicate that the bid specification process was	-all irregular expenditure must be subjected to the processes outlined in section 32 of the Municipal Finance Management Act. -The accounting officer is required to take decisive actions to ensure that the municipality's SCM	31 March 2015	In progress: Section 32 process implemented. Open tender documents are now only limited to SCM personnel and if documents are required for anything copied are done by SCM personnel and documents not taken	Bid Specification minutes are available for all bids awarded in the current financial year	The MPAC is still investigating the irregular expenditure.	Chief Finance Officer/AD Supply chain

	<p>conducted by the Municipality i.e. minutes of meetings have not been submitted to the auditors therefore no assurance could be obtained to confirm that the Municipality Complied with the regulations set out above.</p>	<p>process and records management gets the required attention.</p>		<p>out.</p> <p>IA – A sample of bid files reviewed and the issue of bid specification minutes not being on file still persist. Out of 9 bid files reviewed 6 had no bid specification minutes on file.</p> <p>Management to craft an effective strategy to address this discrepancy.</p>			
4.	<p>No evidence that bid evaluations were conducted</p> <p>During the audit of Supply Chain Management, no evidence was obtained to indicate that the bid evaluation process was conducted by the Municipality i.e. minutes of meetings have not been submitted to the auditors therefore no assurance could be obtained to confirm that the Municipality complied with the regulations set out above.</p>	<p>-all irregular expenditure must be subjected to the processes outlined in section 32 of the Municipal Finance Management Act. -The accounting officer is required to take decisive actions to ensure that the municipality's SCM process and records management gets the required attention.</p>		<ul style="list-style-type: none"> In progress: Section 32 process implemented. Open tender documents are now only limited to SCM personnel and if documents are required for anything copied are done by SCM personnel and documents not taken out. 	<ul style="list-style-type: none"> Bid evaluation minutes are available for bids awarded in the current financial year 	<p>The MPAC is still investigating the irregular expenditure.</p>	<p>Chief Finance Officer/AD Supply chain</p>

				IA – A sample of bid files reviewed and out of 9 bid files reviewed all had bid evaluation minutes on file.			
5.	<p>No evidence that bid adjudication process was conducted</p> <p>During the audit of SCM, no evidence was provided to indicate that the bid adjudication process was carried out in respect of the following winning bids i.e. minutes of meetings were not submitted for audit purposes therefore no assurance was obtained to confirm that the municipality adhered to the requirements set out under the SCM regulations.</p>	<p>-all irregular expenditure must be subjected to the processes outlined in section 32 of the Municipal Finance Management Act.</p> <p>-The accounting officer is required to take decisive actions to ensure that the municipality's SCM process and records management gets the required attention.</p>	31 March 2015	<ul style="list-style-type: none"> ▪ In progress: Section 32 process implemented. ▪ Open tender documents are now only limited to SCM personnel and if documents are required for anything copied are done by SCM personnel and documents not taken out. <p>IA – A sample of bid files reviewed and out of 9 bid files reviewed all had bid adjudication minutes on file.</p>	<ul style="list-style-type: none"> ▪ Bid adjudication minutes are available for bids awarded in the current financial year 	The MPAC is still investigating the irregular expenditure.	Chief Finance Officer/AD Supply chain
6.	<p>Three(3) Quotations not obtained</p> <p>During the audit of SCM, it was noted that 3 written quotations were not obtained from suppliers of a selected sample of purchases. Furthermore, there was no</p>	<p>-all irregular expenditure must be subjected to the processes outlined in section 32 of the Municipal Finance Management Act.</p> <p>-The accounting officer is required to take decisive actions to ensure that the municipality's SCM</p>	31 March 2015	<ul style="list-style-type: none"> ▪ In progress: Section 32 process implemented. <p>IA – A sample of payment vouchers</p>	Checklist on the Payment voucher for the current financial year	The MPAC is still investigating the irregular expenditure.	Chief Finance Officer/AD Supply chain

	evidence to indicate that deviations together with reasons thereof were recorded and approved by the CFO, reported at the next council meeting and disclosed in the notes of the annual financial statements.	process and records management gets the required attention.		<p>reviewed and three quotations attached however none had a checklist attached and reviewed as evidence of SCM process being followed and necessary documents submitted.</p> <p>Management has to enforce the use of the SCM checklist and proper review thereof.</p>		From week of 23-27 March 2015 SCM Unit will enforce SCM checklis for all payment vouchers from the beginning of the year.	
7.	<p>Invoices not paid within 30 days</p> <p>During the audit of payables, it was noted that the creditor's invoices were long outstanding and not paid within the prescribed period of 30 days stipulated in the MFMA.</p>	<p>-all irregular expenditure must be subjected to the processes outlined in section 32 of the Municipal Finance Management Act.</p> <p>-The accounting officer is required to take decisive actions to ensure that the municipality's SCM process and records management gets the required attention.</p>	31 March 2015	<p>Incoming invoices are stamped with a date of receipt stamp.</p> <p>No progress as yet regarding supplier reconciliations and preparation of a creditors age analysis.</p> <p>IA – The issue of unstamped invoices still persistsand supplier reconciliations remain not done.</p>		<ul style="list-style-type: none"> • All the invoices are now submitted are submitted to centralised place which is SCM department to avoid discrepancies of receipt date ▪ o progress as yet regarding supplier reconciliations and preparation of a creditors age analysis. 	Chief Finance Officer/AD Expenditure and financial reporting

8.	Lack of bid documentation for transactions greater than R 10 million there was no evidence to indicate that the winning providers of projects in excess of R10 million furnished the necessary documents as prescribed by section 21 of the SCM Regulations:	-all irregular expenditure must be subjected to the processes outlined in section 32 of the Municipal Finance Management Act. -The accounting officer is required to take decisive actions to ensure that the municipality's SCM process and records management gets the required attention.	31 March 2015	No award(s) in excess of R10 million has been made so far in the 2014/15 financial year.	N/A.	N/A.	Chief Finance Officer/AD Supply chain
9.	No declaration of interests by suppliers in the service of the state suppliers to whom awards were made by the Municipality who failed to disclose that a director/ member/ principal shareholder/ stakeholder is in the service of the state:	<ul style="list-style-type: none"> The accounting officer must investigate and/ or take action against the suppliers who knowingly supplied/ declared false information in their bids. Suppliers must on an ongoing basis be requested to declare any changes in their status of conflicts/possible conflicts of interest and be reminded of the fact that non-declaration constitutes an act of fraud, which could result in a possible termination of the contract 	31 March 2015	<ul style="list-style-type: none"> Where possible, all affected suppliers have been removed from the database. In future all suppliers will be requested to sign declaration forms to enable criminal charges to be pursued where mis-presentations have been made. Letters will be written to suppliers with ongoing long term contracts and / or scarce or specialised services requesting affected parties to sign 	<ul style="list-style-type: none"> Database Letters from service provider Letters to the service providers 	SCM requested declaration for the ongoing contract, others removed from the database.	Chief Finance Officer/AD Supply chain

				declaration forms and submit necessary exemption documentation from employers.			
10.	Suppliers not on municipality database Based on a selected sample under SCM testing, it was noted that goods and services were procured from suppliers that are not on the Municipal database.	<ul style="list-style-type: none"> - The Municipality needs to revise the SCM policy and ensure that it specifies the listing criteria for prospective suppliers. Adherence to the listing criteria must be strictly enforced before updating the municipal database and transacting with new suppliers. 	31 March 2015	<ul style="list-style-type: none"> Supplier database is updated monthly. A challenge will always persist of established national wholesale establishments and / or specialised suppliers not interested in registering on the database but their services being generally cheaper or a good match of specifications. 	Database	Ongoing	Chief Finance Officer/AD Supply chain
11.	Deficiencies in the IDP, budget and reporting process (a) Despite publically advertising the tabling of the draft IDP to council, no evidence was provided to indicate that the municipality within 14 days of the of the IDP gave notice to the public	<ul style="list-style-type: none"> The accounting officer needs to implement and enforce strict adherence to the Municipal Systems Act and the Municipal Budget and Reporting Regulations. Key timelines and dates need to be incorporated into the standard operating procedures and 	31 March 2015	<ul style="list-style-type: none"> No Management response as yet. 	ongoing	The standard operating procedure manual/process plan has been developed and all compliance issues are monitored on regular bases	Municipal Manager/IDP Manager

<p>of its adoption and that copies or extracts of the approved adoption plan are available for public inspection at specified places.</p> <p>(b) Despite publically advertising the tabling of the draft budget to council, no evidence was provided to indicate that the Municipal Manager, within 10 working days after the council approved the annual budget; made public of its approval, supporting documents and resolutions.</p> <p>(c) No evidence was provided to indicate that the Municipal Manager made public the approved service delivery and budget implementation plan within 10 working days after the Mayor approved the plan.</p> <p>(d) Council approved the adjustment budget on 27 February 2014 and publication of its approval was advertised on 27 March 2014 however the Municipality failed to meet the 10 working day requirement as prescribed under Regulation 26 of the Municipal Budget and Reporting Regulations.</p> <p>(e) No evidence was obtained to indicate that the</p>	<p>must be monitored and reviewed on a regular basis.</p>					
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	Municipality placed its monthly budget statements on the Municipal website in terms of Regulation 30 of the Municipal Budget and Reporting Regulations.						
12.	<p>Inadequate revenue collection system</p> <p>Based on the financial results of the current reporting period, it can be ascertained that the Municipality did not have an effective debt collection system in place due to the following:</p> <ul style="list-style-type: none"> -Consumer debtors have increased by 60.65% from R6 610 339 in the previous financial reporting period to R 10 619 143 in the current financial reporting period -Debtor's days are excessive at 211 days for the 2013/2014 financial period. <p>Of the R 10 619 143 debtors balance, R 5 302 645 relates to debtors in excess of the 90 day bracket.</p>	<ul style="list-style-type: none"> • All debtors with arrears accounts must have their services disconnected or suspended. • Interest must be levied on all overdue accounts. • Personal or telephonic contact should be made with arrears debtors to encourage payments or to conclude settlement arrangements. • Debtors must be handed over to attorneys to initiate legal processes and implement the execution of judgements. 	31 March 2015	<p>In progress:</p> <ul style="list-style-type: none"> ▪ Revenue Recovery Strategy developed and is slowly being implemented. 	<ul style="list-style-type: none"> ▪ Council Resolution of meeting dated 23 January 2015. ▪ Letters sent to debtors. ▪ Agreements and proof of payments. 		Chief Finance Officer/AD Income and revenue
13.	<p>Creditors sub ledger and supplier reconciliations not performed</p> <p>During the audit of payables, it was noted that the following reconciliations are not performed by the Municipality:</p>	<ul style="list-style-type: none"> • To enhance its control environment, the accounting officer must ensure that these reconciliations are performed on a regular basis. • The reconciliations must be monitored and reviewed by senior 	31 March 2015	No progress as yet, this has not been done so far.		The letter has been issued requesting the BCX to create the sub ledger in a system and train employees to perform* it	Chief Finance Officer/AD Financial reporting

	<p>-Reconciliation between the creditors sub ledger and the general ledger</p> <p>-Reconciliation between supplier statements and creditors control accounts</p>	management to ensure that differences are investigated and resolved in a timely manner.					
14.	<p>Shortcomings on employee files</p> <p>a) Through inspection of employee files, it was noted that there were no signed authorisation of deductions for the following employees:</p> <p>b) Through inspection of the employee files, it was noted that there were no employment contracts for the following employees:</p>	<ul style="list-style-type: none"> The Municipality must ensure that adequate payroll records are maintained in the employee files as prescribed under the Basic Conditions of the Employment Act. Adherence to the above can be achieved through implementation and completion of a checklist in employee files. 	07 November 2014	<ul style="list-style-type: none"> Check list / Index on personnel files has been implemented Signature on stop order request form and personnel agreement compared to ensure it is the employee who has provided authority of deductions; if not the same then the staff member has to issue new authority to deduct. The missing employment contracts were said to be on the 2nd file of employee as the first file was full. 	<ul style="list-style-type: none"> Stop order request forms and employment agreements. 		Municipal Manager/ Director Corporate service
				IA - New file (2 nd file)			

				reviewed however employment contracts not there.			
15.	Incorrect termination notice period it was noted that employees submitted notice periods for resignations that were not in accordance with the BCEA during the financial period.	The accounting officer needs to implement controls and mechanisms to ensure strict adherence to the Basic Conditions of Employment Act.		Done – where number of days given as notice is less than 30 days, leave days will be deducted at pay-out in lieu of the notice days not served. IA – still to examine compliance on new resignations.			Municipal Manager/ Director corporate service
16.	Human resource management deficiencies a) During the audit of human resource management, it was established that no reference checks are performed for the verification process of new job applicants. b)The Municipality did not submit the consolidated report of minimum competency levels to Treasury as prescribed under regulation 14 of the Municipal Regulations on Minimum Competency Levels.	<ul style="list-style-type: none"> The municipality must conduct reference checks in terms of its policy to verify information provided by a job applicant during the selection process. The accounting officer needs to ensure that all reporting obligations are satisfactorily met in terms of relevant laws and regulations 	05 January 2015	<ul style="list-style-type: none"> Reference check form has been developed and is being implemented. Consolidated report on minimum competency levels not being done as yet. IA – To inspect reference check form. Consolidated report on			Municipal Manager/ Director Corporate service

				minimum competency levels			
17.	<p>IT GOVERNANCE</p> <p>Service level agreements were not signed off by the Municipality and did not include sufficient information</p> <p>It was noted that the service level agreements (SLA's) held with Tmansworld Technologies (TTECH) for website hosting and with Zulucom cc for domain hosting were not signed by a representative of the Municipality</p>	<p>Management should ensure that SLAs are signed off by both parties and roles, responsibilities and obligations of each party are formally defined and agreed upon in the SLA. Key performance indicators, requirements for performance monitoring, penalties for contract violation and termination dates should be documented in SLAs held with vendors.</p>	30 June 2015	<p>IA comments:</p> <ul style="list-style-type: none"> ▪ Key performance indicators still not incorporated in the Bytes Tech SLA. ▪ Monthly performance reporting not done by any of the service Zulucom SLA not yet amended. ▪ No termination date for Zulucom as they own the domain and we have to buy the domain. Tmansworld's agreement is for 12 months. 		<ul style="list-style-type: none"> • No progress on key performance indicators. • The Contracts for Zulucom and Tmans world both expired after 12 Months (Tmans word expire in April 2015 and Zulucom expire on 30 June 2015). Domain is owned by the Municipality. 	Municipal Manager/ Director corporate service
18.	<p>Service levels received from vendors not formally monitored</p> <p>There were no formal processes in place to review and report on the performance of services rendered by vendors.</p>	<p>Management should consistently monitor vendor performance through regular review of performance reports. Service provider performance review meetings should be held at</p>	28 February 2015	Not done as yet.		No progress	Municipal Manager/Director Corporate service

		scheduled times to ensure the achievement of agreed upon service levels.					
19.	IT SECURITY MANAGEMENT No Patch Management Policy in place The following deficiencies were noted regarding the password settings documented in the IT Security Policy: <ul style="list-style-type: none"> • The password configuration settings did not detail the standards to be applied for minimum password days, password complexity and password history • The IT Security Policy stipulated a password length of 6 characters; however a password length of 8 characters had been configured on the Windows Active Directory • The password settings for Conlog could not be obtained to perform a comparison to those stipulated in the IT Security PoliIf pass cy • word settings are not adequately detailed in documented policies and 	A Patch Management Policy should be documented, reviewed, approved and implemented. The policy should adequately document the process to be followed when patches are required to be installed. The policy should also include procedures regarding the approval	31 March 2015	<ul style="list-style-type: none"> ▪ Patch Management Policy not yet developed. ▪ IT Security Policy has been reviewed and amended to include changes done on the system. IA – Draft I.T. Security Policy reviewed.	Draft IT Security Policy.	<ul style="list-style-type: none"> • he Patch Management Policy and IT Security will be submitted to council in April. 	Municipal Manager/ Director Corporate service

	procedures, the risk of the network and applications being inappropriately configured is increased. This could result in an intruder gaining access to the Municipality's network and applications.						
20.	<p>System administrator activities not reviewed (Windows Active Directory, Venus and Payday)</p> <p>Previous audit finding</p> <p>Independent reviews of System Administrator activities on the Windows Active Directory, Venus and Payday systems were not performed.</p> <p>Users with administrator access have full control over systems. Not reviewing activities performed by administrators may result in unauthorised activities not being timely detected. Furthermore, this could result in user id maintenance activities being performed without valid and approved requests.</p>	The password configuration settings documented in the IT Security Policy should be updated to include the standards to be complied with for minimum password days, password complexity and password history. Management should thereafter ensure that the policy standards stipulated in the IT Security Policy are consistently implemented on the network and applications.	31 December 2014	Not done. System administration champion to be nominated by user departments and this has not taken place.		Miss A.S Shandu has been appointed as the pay day system administrator Miss Yenzi Africander appointed as the Venus administrator	Municipal Manager / CFO / Director corporate service

NO.	FINDING BY AUDITOR-GENERAL	EXPECTED ACTIONS TO REMEDY	TARGET DATE FOR COMPLETION	PROGRESS TO DATE / IA COMMENT	PORTFOLIO EVIDENCE / OF	STATUS AS AT 17 MARCH 2015	RESPONSIBLE OFFICIAL
21.	<p>Service provider responsible for administration of Human Resource and Payroll system (Payday)</p> <p>Cognisance was taken of the fact that that an employee at the Municipality had been assigned administrator access on the Payday system. It was however noted that reliance was being placed on the service provider to administer the system as the employee had not been trained on the administrator functionality available on the Payday system.</p> <p>Complete dependence on a service provider for administration of a financial system could result in unauthorised transactions and activities being performed on the system. In addition, prolonged system downtime may occur should the service provider not be available.</p>	Management should ensure that the service provider transfers system administrator knowledge to the employee who has been assigned administrator access on the Payday system. Thereafter, the Municipality should assume responsibilities for administering the Payday system.	31December 2015	Not done as yet.			Municipal Manager/ Director corporate service
22.	<p>USER ACCESS CONTROLNo User Account Management Policy in place</p> <p>Previous audit finding</p> <p>The Municipality has not developed and approved a</p>	Management should ensure that a User Account Management Policy is developed, approved and implemented to manage user account maintenance. All employees should be made aware of the policy and be	31 March 2015	<ul style="list-style-type: none"> Done and submitted to Council Meeting of 26 February 2015. Workshop scheduled to be done by the 31st of March 2015. Implementation of the policy planned 	Council Meeting Agenda 26 February 2015 and Draft Policy.		Municipal Manager/ Director corporate service

	<p>User Account Management Policy.</p> <p>Employees may not be aware of the processes to be followed and the approvals required for new user access, modification of access, termination of access and password resets on Municipal systems. This may result in unauthorised users gaining access to the systems in use.</p>	required to adhere to its contents.		for 31 July 2015.			
23.	<p>No documentation completed for administrator access rights granted (Windows Active Directory)</p> <p>Administrator rights to the domain were granted to Sipho Buthelezi (IT Technician) and Sfiso Maphumulo (Bytes Desktop Engineer) without formal documentation and approval taking place.</p> <p>Users with administrator access have full control over systems. Unauthorised administrator rights granted to employees could result in Unauthorised system changes which may affect the functionality of the system.</p>	<p>a) Procedures for the granting and approval of administrator access rights should be included in the User Account Management Policy</p> <p>b) Administrator access should be requested through formal administrator access request forms which should be reviewed and approved by a senior official of the Municipality</p>	31 December 2015	<p>The policy was approved at the end February 2015, however practical implementation has not been done as yet.</p> <p>IA – copy of policy required.</p>			Municipal Manager/ Director corporate service
24.	<p>Register for the allocation of Microsoft licenses not completed</p> <p>There is no volume based licencing agreement with Microsoft for the Windows</p>	<p>c) A volume based licensing agreement should be entered into with Microsoft</p> <p>If this is not financially viable, then a list of licences</p>	30 June 2015	<p>Done.</p> <p>IA – Intended control not quite effective as yet. Out of the 4 computers reviewed the licence number according to</p>	<ul style="list-style-type: none"> ▪ Licences ▪ Computer screens indicating. licence number ▪ Licence listing. 		Municipal Manager/ Director corporate service

	<p>operating system. Currently, licences are purchased on an ad hoc basis whenever a new terminal is acquired. Licences purchased were previously allocated to a terminal by completing a register; however this register is no longer maintained.</p> <p>This could result in inadequately licensed terminals being utilised by the Municipality and licenses not required being purchased. The Municipality may be liable for licencing fines and be at risk of reputational damage if software in use is not appropriately licensed.</p>	<p>together with the serial number of the devices they are linked to should be maintained by the Municipality.</p>		<p>register did not correspond to the identified relevant and matching computer.</p>			
25.	<p>User access rights not periodically reviewed (Venus, Payday, Cash focus and Conlog)</p> <p>Previous audit finding</p> <p>The following weaknesses were noted with regard to the review of user access rights assigned on systems:</p> <ul style="list-style-type: none"> • Periodic reviews were not performed on the Conlog system to ensure that current user access rights and privileges assigned on the system were still commensurate with an employee's job 	<p>a)Periodic checks should be carried out by management to ensure that user's current access rights assigned on systems are still commensurate with their job responsibilities</p> <p>b)Evidence of such reviews should be maintained</p>	30 April 2015	<p>IA - Implementation of corrective measure incomplete. Printouts of user access rights done but have not been reviewed or authorised as yet.</p>			<p>Municipal Manager / CFO / Director Corporate service</p>

	<p>responsibilities</p> <ul style="list-style-type: none"> Evidence related to the user access reviews performed for the Venus, Payday and Cashfocus systems was not maintained <p>If reviews of users' access rights are not performed on a periodic basis, management may not be able to identify users who have been granted excessive access rights or access rights no longer required to perform the roles and responsibilities associated with their job functions. This could compromise the confidentiality, integrity and availability of data stored on the system. In addition, if adequate evidence of reviews performed is not maintained, management may have no audit trail for changes made to user's accounts as a result of user access reviews performed.</p>						
26.	<p>PROGRAM CHANGE MANAGEMENT</p> <p>Emergency change procedures not documented</p> <p>Cognisance was taken of the fact that a Change Management Policy had been developed by the Municipality it was however noted that procedures to be followed for emergency</p>	<p>Emergency change management procedures should be comprehensively documented and incorporated into the current Change Management Policy. The updated policy should be approved by Council and communicated to affected users.</p>	31 March 2015	<p>Emergency change management procedures not done as yet, this is as a result of the fact that such changes are administered by an off-site Service Provider.</p>			<p>Municipal Manager/ Director corporate service</p>

	<p>changes were not detailed in the policy.</p> <p>An inadequate control process for emergency changes may lead to untested and unauthorised changes being made to the production environment which could affect the stability and accuracy of applications.</p>						
27.	<p>System change logs not available (Venus, Payday, Cashfocus and Conlog)</p> <p>The Municipality was unable to extract system generated logs to substantiate if any changes had been implemented on key financial systems for the period under review.</p> <p>Inadequate change control processes may lead to untested and unauthorised changes being implemented in the production environment. This may affect the stability of the applications and accuracy of calculations performed.</p>	<p>a) Staff should be trained on how to extract change logs from systems</p> <p>b) System generated change logs should be reviewed on a periodic basis to ensure that no unauthorised changes have been made to applications. Evidence of these reviews performed should be maintained.</p>	28 February 2015	<p>Staff have been trained on how to extract change logs from the Venus system. These logs have are being generated and accordingly reviewed.</p> <p>Payday, Cashfocus and Conlog remain outstanding as assistance is awaited from the respective service providers.</p> <p>IA – POE on training of staff on Venus, examined of extracted reports and whether or not such extracted reports are being appropriately reviewed.</p>	Job card.		Municipal Manager/ Director Corporate service

28.	<p>FACILITIES AND ENVIRONMENTAL CONTROLS</p> <p>Server room access register not reviewed</p> <p>Cognisance was taken of the fact that a visitor's register had been implemented in the server room. It was however noted that the register was not being checked and signed off by management.</p> <p>Management may not be aware if the server room register is being consistently and adequately completed.</p>	Management should review the server room visitor register on a periodic basis to ensure it is being consistently completed and signed off.	30 November 2014	<p>Reviews of access register are being done by management.</p> <p>IA – Examine POE of review of server room access register.</p>	Server room access register.		Municipal Manager/ Director corporate service
29.	<p>No server room maintenance schedule in place</p> <p>A maintenance schedule for devices inside the server room had not been developed. Maintenance was carried out on an ad hoc basis and there was no formal process to ensure that all IT environmental controls within the server room were periodically serviced.</p> <p>Lack of a maintenance schedule may result in environmental controls not being periodically serviced which could result in IT systems malfunctioning thereby interrupting business</p>	Management should ensure that the maintenance schedule is established and server room environmental controls are regularly serviced to ensure continuous functioning of systems and business operations.	31 December 2014	Done.	Maintenance schedule and server room environmental control register.		Municipal Manager/ Director corporate service

	operations.						
30.	INFORMATION TECHNOLOGY SERVICE CONTINUITY Business Continuity Plan not established and Disaster Recovery Plan not tested Previous audit finding The municipality has not yet developed a Disaster Recovery Plan (DRP) and Business Continuity Plan (BCP).	a) A BCP should be developed, implemented and communicated to all affected employees b) Steps should be taken to ensure that the BCP and DRP is tested on an annual basis c) The results of the testing should be evaluated and benchmarked against required criteria in order to assess the effectiveness of the plans d) Changes to the BCP and DRP should be made based on the results of testing performed with the amended plans being approved and distributed to the relevant individuals	30 June 2015	Disaster Recovery Plan in progress. Business Continuity Plan not done.	Draft Disaster Recovery Plan.		Municipal Manager/ Director corporate service
31.	Evidence of backup Evidence of the restoration testing of backup media performed for the period under review was not maintained. If restoration testing is not performed on a periodic basis management may not be aware of the continued readability of backup media. In addition, if backup media is	Restoration testing of backup media should be conducted on a scheduled basis and evidence of the testing performed should be maintained. a	28 February 2015	Backup restoration tests done.	Job Card.	Finalised	Municipal Manager/ Director corporate service

	not readable the Municipality may not be able to utilise its backups to restore data. In the absence of evidence of the restoration tests performed, management may not be aware of the readability of backup media as well as the actions taken for backups that could not be restored.						
32.	<p>Inadequate backup processes in place</p> <p>Audit finding The following deficiencies were noted with regard to backups performed:</p> <ul style="list-style-type: none"> • The Backup Policy did not detail the process for tape movement (secure transportation from onsite to offsite) • The backup register did not identify the status of backups performed • An offsite backup register was not maintained. <p>Employees who are required to perform backups may not be aware of the correct procedures to be followed for tape movement. If backups are not adequately monitored, backups may be incomplete or unsuccessful and management may not be able to use the backup to restore data.</p>	<p>a) Management should ensure that backup standards and procedures are enhanced to include the process for transportation of backup media</p> <p>b) Backup registers must be amended to include the status of backups performed</p> <p>c) An offsite backup register must be implemented to record all tapes stored at the offsite storage location</p>	31 March 2015	<ul style="list-style-type: none"> ▪ Done. ▪ Done. ▪ Done 	<ul style="list-style-type: none"> ▪ Backup register ▪ Backup report ▪ Offsite backup register 	Finalised	Municipal Manager/ Director corporate service

APPENDIX D

2013/2014 AUDIT COMMITTEEREPORT

2013/2014 AUDIT COMMITTEE REPORT

The Performance and Audit committee of Nkandla Local Municipality has pleasure in submitting this report to Council of Nkandla Local Municipality. This report is submitted in terms of the provision of sections 121 (3)(j), 166(2)(b) and 166(2)(c) of the Municipal Finance Management Act of 2003 ("the MFMA") and covers the financial year from 1 July 2013 to 30 June 2014.

1. PERFORMANCE AND AUDIT COMMITTEE MEMBERS

The following persons served as members of the Performance and Audit Committee for the year under review.

Mr. S Majola-Chairperson
Ms. N Mchunu
Dr.B Thabethe
Mr. SSibisi

2. PERFORMANCE AND AUDIT COMMITTEE MEETINGS

Section 166(4)(b) of the MFMA requires the audit committee to meet at least four times a year. The committee met three times in the 2013/14 financial year as per the meeting attendance schedule below:

	20/12/2013	20/03/2014	27/05/2014
S Majola	✓	✓	✓
N Mchunu	✓	✓	✓
B Thabethe	✓	✓	✓
S Sibisi	✓	✓	

Unfortunately the committee lost Mr. Sibisi as he was permanently employed by the municipality from 10 April 2014. The committee met for the first time on 20 December 2013 and it only met three times instead of four times as per section 166(4)(b).

The following are standing invitees to the Audit Committee meetings; Representative from Office of the Auditor-General (OA-G); Municipal Manager (MM); Chief Financial Officer (CFO); Internal Audit Service Provider; Representative from Provincial Treasury, COGTA and MPAC Chairperson of Nkandla Local Municipality

3. REPORT ON COMMITTEE RESPONSIBILITIES

Section 166(1)(a) of the MFMA stipulates the responsibilities of the Audit Committee, we have carried out these responsibilities and our report is as follows:

3.1 Risk management

When the committee started in December 2013, the municipality had an outdated, inadequate risk register. The committee recommended that the internal auditor assist the municipality in updating this register. The risk register was updated by management. We have recommended that management establish a Risk Management Committee which will update the risk register, identify the new risks and put plans in place to address the risks identified.

3.2 Internal Audit

During the financial year the municipality engaged a new service provider in order to carry out the internal audit services at the municipality. The committee recommended that internal audit compiles a workplan that they had to use to identify the auditable areas for the remainder of the financial year. The committee recommended that the workplan should include the review of Performance audit, Supply Chain Management, Follow-up on Auditor-General's findings, Status of record keeping, Financial Monthly reports, Annual Financial Statements and the Strategic plan for 2014/15 financial year. A number of control deficiencies were identified by the internal audit section and these were discussed extensively in audit committee meetings. Management made undertakings to implement the controls recommended by internal audit.

3.3 Annual Financial Statements (AFS)

Management must be commended for compiling and presenting the AFS to the Office of the Auditor-General (OA-G) timeously. The committee reviewed the AFS presented before them by management and the following concerns were raised amongst other issues:

- Concern on the accuracy of the electricity losses calculation
- Capital expenditure on AFS did not reconcile to the trial balance
- Some of the AFS notes were incomplete

Management made an undertaking to address all of the issues that the committee highlighted before the AFS are submitted to OA-G.

3.4 Performance management

The committee identified the discrepancies with regards to the performance management system and these included:

- Performance information not reported quarterly
- Portfolio of evidence files not submitted
- Performance assessments for section 57 employees not undertaken

All of these issues were brought to management's attention and they made undertakings to address them.

3.5 Governance

The committee followed up on the issues raised by the OA-G and management gave assurance that all of these issues were addressed by the end of the financial year. Management and council must be commended for receiving an unqualified audit opinion in the 2013/14 financial year. We need to improve from this going forward by implementing the following recommendations:

- Management and council ensures that the issues raised by the OA-G are addressed
- The risk management and IT steering committees are formulated and operate effectively.
- Stability at political and administrative levels is maintained
- Reconciliations of financial records are compiled monthly
- Alignment of the SDBIP and Budget to the IDP and the S57 managers performance agreements.
- The PMS system is improved, evaluated and assessed continuously.
- Municipal Performance is reviewed and reported on at least on a quarterly basis.
- Council plays its oversight role effectively.

4. Conclusion

The committee has a strong belief that the municipality can achieve a clean audit opinion if it implements the recommendations of the internal auditors, OA-G and the Performance and Audit Committee

S Majola

On behalf of the Audit Committee

AUDIT COMMITTEE RESOLUTION REGISTER/ACTION PLAN							
RESOLUTION NO.	DATE	ITEM NO.	ITEM TITLE	RESOLUTION	TARGET DATE	PROGRESS TO DATE	RESPONSIBLE PERSON/DEPARTMENT
01	20 March 2014		Outstanding IA payments	A follow-up on Internal Audit reports and outstanding payments to be looked into immediately after the meeting.	20 March 2014	GOBODO PAYMENT DONE AND THE CONTRACT EXPIRED,THE NEW IA WAS APPOINTED	CORPORATE SERVICES
02			Compilation of the PAC REPORT	The PMS /Audit Committee to make use of the available information to compile the PAC report and make sure that the available information had been circulated to members for their inputs.	24 March 2014	THE REPORT THEN FOWARDED BY PREVIOUS AUDIT COMMITTEE AND ATTACHED TO ANNUAL REPORT	AUDIT COMMITTEE
03			IA Reports	All the available internal Audit reports and the PAC minutes for 2012/13 to be made available to PAC members.	24 March 2014	MINUTES WERE RECEIVED BY CURRENT AUDIT COMMITTEE	CORPORATE SERVICES
04			Compliance Checklist	To forward a Compliance Check list for the annual report to members.	22 March 2014	CHECKLIST DEVELOPED AND FILED TO POE THAT RESPOND TO AG QUIRIES	A D EXPENDITURE AND REPORTING

05			POE FOR PAC	Portfolio of Evidence file to be formulated specifically for PAC which would enable them to detect any omissions that need to be attended to.	27 May 2014	THE POE WAS DEVELOPED	PMS/CORPORATE SERVICES
06			Detailed action plan	Action Plan to consist of detailed information.	27 May 2014	AG action plan was reviewed and it is detailed	MM
07			Revised action plan	A special management meeting to be held whereby each Department would have to revisit its section and address it properly.	24th of March 2014	The MANCO seats every Monday to review the action plan	MM
08			Internal Audit reports.	A wrap-up meeting between the previous Internal Auditor and the Municipality to be conducted	30 March 2014	The Meeting was held	MM
09			IA Working plan	The Internal Audit to prepare a three months working plan and a three year plan (2013/2014 & 2014/2015) and submit it on 10 th of April 2014. It was advised that they should focus mostly to high-risk areas, as their priorities.	10 April 2014	finalised	IA

10			Priorities to be attended by IA	The following priorities to be attended by Internal Audit within three months: 1. 1st Quarter and 2nd Quarter of PMS 2. Auditor-General Action Plan 3. Supply Chain Management 4. Status of Records /Section 71 Reports/Monthly Reconciliations 5. Interims Financial statements 6. 12/13 internal audit strategic plan	30 June 2014	Finalised	IA
11			Risk register	The final Risk Register be forwarded to Committee members.	27 May 2014	The risk was submitted to Audit committee members on the meeting of 24 August 2014. The 2014/15 Risk register has been reviewed	MM
12			Ammendment of the Audit committee charter	Audit committee charter to be forwarded by the chairperson to members in preparation for council.	27 MAY 2014.	Finalised	PAC CHAIRPERSON
13			Budget steering committee	The Budget Steering Committee to be formed, which would constitute of a Mayor as	30 June 2014	not yet finalised	MM

				a Chairperson and Head of Departments.			
14			Monthly reports	Monthly Reports to be used to monitor very closely the employees' performance.	on going	monthly reports are done by all MANCO members	ALL
15			Weekly plans	Weekly Plans to be used as a monitoring tool that guides the activities on the weekly basis and must be in line with the Departments Target with a view of achieving the same goal.	on going	weekly plans are submitted to Municipal manager every Friday	ALL
16			Risk register	The adopted Risk Register to be forwarded to PAC.	30 May 2014	submitted to audit committee.Prepared and presented to audit committee on the 05 March 2015	CORPORATE SERVICES
17			Audit committee report	To submit and present the Audit Committee Report to council.	27 March 2014	The report was submitted to council on the 27 March 2014	AUDIT COMMITTEE
19			Forensic Investigations	A report to be submitted with the list of all the dismissals /suspensions occurred within the period of 2012/2013.	27 MAY 2014.	Reports are submitted in every Audit committee meeting	CORPORATE SERVICES

20	27 May 2014		Resolution register	A summary of resolutions to be sent to AC members.	27 MAY 2014.	The resolution register has been developed and is a standing item in all Audit committee meetings	PMS
21			Risk Management Committee	PAC and management to identify relevant people to sit in the risk management committee.	27 MAY 2014.	the risk management committee has been finalised	ALL
22			Policy on the use of consultants	Policy on the use of consultants to be prioritised.	27 MAY 2014.	The policy is still a draft	CFO
23			IT steering committee meetings	IT steering committee to submit minutes of their meetings to the PMS manager for the manager to present them to the Audit committee	27 MAY 2014.	not yet finalised	CORPORATE SERVICES
25			IT Security officer	Amendment to the organogram and budget to be effected	30 May 2014 Before the council sitting	Finalised	CFO/MM/CORPORATE
26			PMS Framework	PMS framework to be tabled to council.	27 May 2014	Finalised	PMS
28			Risk as a MANCO standing item	Risk management to become a standing item in the MANCO meetings.	on going	not yet done .The workshop has been done to staff and risk register has been finalised.	MM

29			Action plan	Municipality to have a holistic view on the areas that were touched by the AG	on going	Finalised.The action plan has been developed and is a standing item to all MANCO meetings.	ALL
30			Credible POE's	IA to ensure credibility and relevance beyond reasonable doubt of the evidence presented to them.	27 MAY 2014.	corrected	IA
31			A financial system	The municipality to go out on tender for a new financial system.	30 September 2014	not yet done (The service provider has been appointed.)	CFO
32			Security officer position	Organogram to be ammended together with the budget in order to accommodate the employee cost of a security officer.	30 September 2014	not yet done	CFO
33			Perfomance Individual assessment Panel	Panel assessment to take place as legislated.	30 September 2014	finalised	PMS
34			Credible AFS	The municipality to advertise, clear segregation of duties to be be developed, in order to produce credible AFS.	01 June 2014	Finalised	CFO
35			PMS allignment	To allign Nkandla municipality PMS as legislated.	30 June 2014	Finalised	PMS

36			PMS Framework	PMS framework to be tabled to council on the and was advised to use COGTA's services.	29 May 2014	The framework was tabled to council on the 29 May 2014	PMS
37			Alignment between AFS and PMS plan	PMS manager to check synergy between AFS and PMS reports.	30 June 2014	Finalised	PMS
	04 December 2014	11/2014/2015	Draft Anti fraud and corruption strategy	Antifraud and corruption strategy be adopted by council and the Fraud prevention committee be established	30 January 2015	Antifraud and corruption strategy adopted by council.The committee is not yet finalised.	PMS
		12/2014/2015	First quarter internal audit report	That the Internal Audit report for quarter1 and 2 be prepared and presented in the next audit committee meeting.	30 March 2015	The first quarter and second quarter has been finalised.	IA
		13/2014/2015	INternal Audit Remedial action plan	The action plan in dealing with internal Audit findings be prepared and presented together with internal audit report.	30 March 2015	Developed and it is updated on regular bases	PMS
		14/2014/2015	Risk management Committee and risk report	Risk assessment report be finalised	30 January 2015	Finalised	MM
		14/2014/2015	Risk management Committee and risk report	The MANCO members at the level of AD be added to form part of the risk committee	30 January 2015	Finalised	MM

		14/2014/2015	Risk management Committee and risk report	Risk workshop be organised	30 January 2015	Finalised	MM
		15/2014/2015	Draft Annual report	The draft annual report be submitted to council	30 January 2015	The draft annual report approved by council on the 23 January 2015	MM
		18/2014/2015	Final Management report	That the remedial action plan to respond to issues raised by AG be developed and implemented.	30 January 2015	The action plan has been developed	PMS
		19/2014/2015	AG Action plan	That the remedial action plan to respond to issues raised by AG be a standing item in all MANCO meetings.	30 January 2015	The action plan has been developed	PMS

APPENDIX E

2013/2014 FINANCIAL STATEMENTS